House of Commons
Environment, Food and Rural Affairs Committee

Rural Communities
Sixth Report of Session 2013–14

Volume I

Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/efracom

Ordered by the House of Commons
to be printed 16 July 2013
Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and its associated bodies.

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Summary

In this inquiry we set out to assess how successful Defra and its Rural Communities Policy Unit have been at championing rural issues across Government to achieve the RCPU’s target of “fair, practical and affordable outcomes for rural residents, businesses and communities”. The RCPU faces a difficult task if it is to meet this ambition. Too often Government policy has failed to take account of the challenges that exist in providing services to a rural population that is often sparsely distributed and lacks access to basic infrastructure.

Rural communities pay higher council tax bills per dwelling, receive less government grant and have access to fewer public services than their urban counterparts. The Government needs to recognise that the current system of calculating the local government finance settlement is unfair to rural areas in comparison with their urban counterparts and take action to reduce the disparity. This ‘rural penalty’ is not limited to public services, it is also acute in many areas of infrastructure, not least the provision of high-quality broadband.

Businesses, schools and households in rural areas have fallen behind urban areas when it comes to broadband access. Through the Rural Broadband Programme the Government is taking steps to improve rural communities’ access to broadband. The focus of the Programme must be on improving access to those communities with no or slow broadband rather than increasing the speed for those who already enjoy an adequate service.

The Government has made growing the rural economy its top priority. To achieve this a number of barriers need to be overcome not least improving rural businesses’ access to finance. The Government must ensure that initiatives that offer financial support to the business sector such as the forthcoming Business Bank and the Single Local Growth Fund are as available to rural businesses as they are to their urban counterparts.

Lack of affordable housing can be a brake on economic development. On average people working in rural areas earn less than those working in urban areas but rural homes are more expensive than urban ones. Rural England desperately needs more affordable housing yet the Government’s housing policies pay insufficient regard to the needs of rural communities. Failure to provide more of the right housing, at the right price and in the right place will exacerbate the existing problems of unaffordability and inequality in some parts of Rural England.

Rural communities should not be seen as helpless victims whose woes can only be solved by others. Some of the most valuable initiatives to rural communities have started within communities themselves rather than as a response to government policy. The Government is devolving more powers to communities to enable them to have greater influence over their future. We support these moves and believe many rural communities are well placed to respond but the Government must also ensure that those communities that may lack the confidence and capacity to help themselves are provided with the support to do so.
We welcome the Government’s Rural Statement. Its publication brought much needed attention to rural issues. The final sentence of the Statement described it as a contract with rural areas, so they can hold Government to account - when it is next updated we expect it to contain some key performance measures so that rural communities can do just that.
1 Introduction

Background

1. A quarter of England’s population, 12.7 million people, live in rural communities. Rural areas make up 86% of England; they cover a wide range of geographies and include areas of affluence and poverty, both of which can vary markedly not just within local areas but within individual communities themselves. Rural areas are also home to over half a million businesses, that together contribute more than £200bn to the economy. Responding to the challenge of sustaining and developing rural communities is not only a task for the Department for Environment, Food and Rural Affairs (Defra), but for all of Government, national and local.

2. Our inquiry was prompted by the Government’s decision in June 2010 to abolish the Commission for Rural Communities and increase the rural knowledge base within Government through a strengthened Rural Communities Policy Unit (RCPU). In our Farming in the Uplands Report we expressed concern that, “following the abolition of the CRC, there is a real risk of a diminution in rural expertise within Defra and across Government”. In a Ministerial Statement on 1 April 2011 the Government set out how its new centre of rural expertise would work to ensure government policies and programmes properly take account of the needs and the potential of rural residents, businesses and communities:

Defra’s ministerial team will act decisively to champion rural issues across Government. We are now supported in this by an enhanced Rural Communities Policy Unit (RCPU) which will operate as a centre of rural expertise, supporting and co-ordinating activity within and beyond Defra. The RCPU will play an important role in helping all Government Departments to ensure that their policies are effectively ‘rural proofed’ before decisions are made.

Building upon the Department’s existing rural policy team, we have drawn in staff from the Commission for Rural Communities (CRC) and from other parts of Government to create the new unit. The RCPU’s immediate objectives are:

- To identify issues of critical importance to rural communities and then support, inform and influence the development and implementation of relevant Government policy so as to achieve fair, practical and affordable outcomes for rural residents, businesses and communities;

- To develop open and collaborative approaches to gathering information, evidence and potential solutions, working closely with the wide range of organisations which support and represent rural communities.

1 Department for Environment, Food and Rural Affairs (Defra), Statistical Digest of Rural England, April 2013
2 Ibid.
3 EFRA Committee, Third Report of Session 2010-12, Farming in the Uplands, HC 556, para 14
The RCPU will have a particular policy focus on Ministers’ stated rural priorities—housing, broadband, services, transport and fuel. In addition, Defra is responsible for a number of programmes designed to drive rural economic growth including delivery of the socio-economic elements of the RDPE, and the package of measures announced in the Rural Economic Growth Review.4

3. In this inquiry we set out to evaluate the work of the RCPU so far and the extent to which it has achieved the Government’s aim of working “across Government to ensure that the interests of rural communities are fully reflected in policies and programmes.”5 We chose to focus on those areas that Defra ministers have highlighted as priority issues for their department, namely growing the rural economy, housing, broadband, fuel, transport and services, as well as other issues that were raised during the course of our inquiry such as key funding settlements and the creation of Community Rights. We also scrutinised the Government’s Rural Statement, a much delayed document described by the Secretary of State as “the first ‘rural contract’ to give rural areas the power to hold us to account on our promise to grow the rural economy and support thriving rural communities”.6

4. We held six oral evidence sessions. We are grateful to all witnesses for their contributions and also to all those who submitted written evidence. We would also like to take this opportunity to pay tribute to the work undertaken by the Commission for Rural Communities, its staff, Commissioners and Chairman, the Revd Dr Stuart Burgess CBE, over the past six and a half years. The Commission made a valuable contribution to our understanding of the challenges faced by rural communities.7

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4 HC Deb, 1 April 2011, col 41WS
5 HC Deb, 29 June 2010, col 36WS
6 Defra press release, New ‘contract’ to give rural communities power to hold Government to account on rural growth, 12 September 2012
7 The Commission for Rural Communities (CRC) was a Defra funded Non-Departmental Public Body established under the Natural Environment and Rural Communities Act on 1 October 2006. It was wound up in March 2013 following a 2010 review of Defra’s arms length bodies.
2 Rural funding

5. Rural communities pay higher council tax bills per dwelling, receive less government grant and have access to fewer public services than their urban counterparts. The perception that this is unfair has been a recurring theme throughout our inquiry. Many of the organisations that gave evidence to us considered that central government failed to recognise the ‘rural premium’—the additional cost of delivering services in sparsely populated areas.

Local government finance settlement

6. The Rural Services Network state that “in 2012/13 Predominantly Rural local authorities received £147.81 in Government formula grant per head or 52% less than their urban counterparts.” When we announced our inquiry the Department for Communities and Local Government (DCLG) were consulting on proposals to adjust the way government grant was calculated. The Rural Services Network welcomed the DCLG consultation but cautioned that “because DCLG propose to ‘damp’ these changes about 75% of the theoretical gain will be lost.”

7. On 19 December 2012 the Secretary of State for Communities and Local Government announced the conclusions of the consultation when he presented the provisional local government finance settlement to the House of Commons. He concluded: “This is a fair settlement—fair to north and south, rural and urban, shire and metropolitan England.” 120 rural councils and dozens of MPs disagreed. Cllr Roger Begy, Chairman of the Sparse Rural group of councils told the Daily Telegraph:

For the last 18 months we have been working with the government reviewing the [spending] formula that takes into account deprivation. Now that has been ignored completely and all the promises ministers made have disappeared. We are going to have to do something. This is totally unfair and is going to crucify a lot of rural areas. People are going to be isolated.

In evidence to us Cllr Begy expanded on his concerns:

If I take my particular county as far as the funding is concerned [...] we get, on average per head, with the change in the formula, we were going to get £221, compared to Leicester City at £566 per head. That was the funding. With damping that came down to £192, and with the settlement it has come below that. We are playing semantics with spending power and there is some work available for the

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8 HC Deb, 28 February 2013, Col 614W; For unitary authorities, the average area council tax per dwelling during 2012-13 was £1110 (predominantly urban); £1339 (significant rural); and £1260 (predominantly rural). For shire areas, the average area council tax per dwelling during 2012-13 was £1271 (predominantly urban); £1312 (significant rural); and £1356 (predominantly rural).
9 For example, Cumbria County Council, Herefordshire Council, Northumberland Council.
10 Ev 98 [Rural Services Network Network]; See annex for definition of Predominantly Rural.
11 Ev 98 [Rural Services Network Network]; Damping is used to ensure no council’s year-on-year variation is too great.
12 Daily Telegraph, Tory shires in revolt over cuts, 29 December 2012
Committee on the difference between ‘spending power’ and ‘per head’, but the simple fact is we have ended up with less and all that work that recognised it and DCLG civil servants recognising it has just gone down the pan at the moment.

8. Sparsity of population makes it more expensive to provide services in rural areas than urban areas. Yet, despite this, urban areas—as defined by the Government—receive 50% more funding per head than rural areas. Part of this disparity of funding results from the process of ‘damping’ in the spending settlement. The Government needs to recognise that the current system of calculating the local government finance settlement is unfair to rural areas and that the disparity must be reduced. The Rural Fair Share Campaign calls for the disparity to be reduced to 40% by 2020. We agree and recommend the Government factors this target into future spending settlements.

9. The Government claims that “from the Prime Minister down [the Government] have strong rural credentials.” Yet, the local government finance settlement announcement was greeted with objections from 120 rural councils, as well as many MPs representing rural constituencies. It is disappointing therefore to be told by Richard Benyon MP, Parliamentary Under Secretary of State for Natural Environment, Water and Rural Affairs, that the impact of the settlement on rural areas was “not discussed at Ministerial level”. Officials from Defra told us that they “had a lot of interaction with DCLG” on this subject.

According to Action with Communities in Rural England (ACRE), we understand that, in its recent exploration and decisions on local authority funding, the Department of Communities and Local Government did listen to arguments over the sparsity factors in funding of key public services. However, the positive benefit of any changes was lost by other factors being brought into play. Regardless of the rights and wrongs of this, the key fact is that, in testing the impact of the changes, DCLG failed to use the standard Defra rural/urban definitions that are the cornerstone of rural proofing methodology. The result is that the true impact of the changes, which were not helpful to rural areas, was unanticipated by those deciding on the formula.

Cllr Begy confirmed to us that DCLG used different figures from Defra in identifying rural areas when drawing up the provisional spending settlement:

DCLG have defined ‘rural’ as being all shire districts, which includes Oxford, Mansfield, places such as that, as opposed to Defra, who have the Rural-80, Rural-50, which recognises rurality as opposed to the figures they have done. I think this has led to some unintended consequences in the latest figures.
10. Defra must take a leading role to ensure the premium that applies when services are provided in rural areas is fully accounted for across Government. In the local government finance settlement for 2013-14, it failed to do so. **Defra needs to work closely with DCLG to ensure future local government finance settlements reduce the rural penalty. They must use an agreed definition of rurality to achieve this goal.**

11. DCLG have conceded some ground. During Business Questions on 17 January 2013 the Leader of the House indicated that Ministers in DCLG accepted the need to reconsider their original proposals.

   Ministers agree that the evidence shows that rural areas are comparatively underfunded, and that a correction should be applied so that there is proper recognition of the additional costs of delivering services in rural areas. I will not elaborate on the details of those adjustments, although I could do so.19

12. On 4 February, in response to complaints that damping had removed additional money intended for the most rural councils, the Local Government Minister announced an extra £8.5 million ‘efficiency support’ for 95 rural district and unitary authorities. **While the £8.5 million ‘efficiency support’ payment is welcome, such a payment does not address the underlying problems in the current system for allocating funds through the local government finance settlement.** The Office of the Leader of the House is also not the appropriate means for announcing such a revision of government policy.

13. The extent to which the one-off payment might be used to make efficiency savings is also a matter of debate, particularly for councils such as Bassetlaw who received just £649. Steven Mason, corporate director of finance for Northumberland County Council told Room15120 that “for rural areas there is only £8.5m being given out nationally and we get this £250,000 for one year and to be honest it is meaningless at a macro level.”21 It is unfortunate that when DCLG announced the £8.5 million payment the accompanying information detailing the allocation was incorrect. Thirty one authorities who were informed they would receive a grant were later told they would get nothing.22

**Retention of business rates**

14. The Local Government Finance Act 2012 included a change in the allocation of funds from business rates. From April 2013 councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. The Government’s hope is that this will provide a strong financial incentive for councils to promote economic growth. Defra highlight this policy as one that has been effectively rural-proofed by the RCPU. The RCPU provided evidence to the Local Government Resource Review Baseline working group. Defra state that

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19 HC Deb, 17 January 2013, Col 1039
20 Room151 is an online news service for local authorities.
21 Room151, Steve Mason on dampening, rural economies and funding hits to the North, 12 February 2013
http://www.room151.co.uk/interviews/steve-mason-on-dampening-rural-economies-and-funding-hits-to-the-north/
22 See http://www.lgcplus.com/Journals/2013/02/06/d/m/m/Sparsity-grant-allocation-change.xlsx
Rural Communities

the circumstances of rural local authorities are recognised in the consultation, with higher baseline settlements proposed for them than for urban authorities. Rural impacts were considered at an early stage of the policy cycle, allowing the focus during the consultation to be on whether the adjustments were adequate.\(^\text{23}\)

Some rural councils have raised concerns with us that the business rate retention model is particularly conurbation-centric and may increase the disadvantage experienced by rural communities. Cumbria County Council told us:

> Across Cumbria small businesses based in residential accommodation are a common business model which will have a limited impact on business growth as reflected in business rates income.

> It is unlikely that rural authorities will have as much scope for business rate growth as more urban areas, especially as large parts of the county are in designated planning areas such as National Parks. Nationally it is recognised that business rate growth ultimately is dependent upon geography, major infrastructure and high speed rail links from which rural communities have limited opportunity to benefit.\(^\text{24}\)

15. In order to rural proof government policy effectively it is important for the RCPU to engage with government departments at an early stage in the policy cycle. The RCPU’s involvement with Business Rates Retention Technical Consultation is a good example of this, but rural authorities remain concerned that the Business Rates Retention policy may be to their detriment. The RCPU must monitor the impact of the business rates retention policy on rural local authorities and raise any adverse consequences with Ministers in both Defra and DCLG.

School funding

16. In March 2012 the Government set out proposals to reform the school funding system. The consultation closed on 21 May 2012 and on 28 June 2012 the Secretary of State announced the final funding arrangements for 2013-14.\(^\text{25}\) Under the reforms the Government aims to “create a funding system that is fair, logical and distributes extra funding towards pupils who need it the most ... [It] will ensure that similar pupils, no matter where they go to school in the country, attract similar levels of funding.”\(^\text{26}\) We received evidence suggesting the Government had failed to foresee the implications of the reforms on smaller rural schools. Rural schools tend to have smaller classes which means running costs are higher per pupil. A rural location can also mean increased costs in terms of sourcing materials, providing school dinners and other services. Professor Shucksmith told us that

under the revised formula, each school will receive an allocation per pupil and a lump sum. But the Government has imposed the condition that every school in a local authority must receive the same lump sum, regardless of size, location, or the

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\(^{23}\) Ev 115 [Defra]  
^{24}\) Ev 93 [Cumbria County Council]  
^{25}\) Department for Education, School Funding Reform: Arrangements 2013-14, 28 June 2012  
^{26}\) HC Deb, 28 June 2012, col 22WS
age of pupils, so as to promote competition between schools. This has the unintended consequence of rendering many small rural schools potentially unviable, with particularly damaging consequences for scattered rural communities with no viable school nearby.

17. The Government confirmed in a document, School Funding Reform: Arrangements 2013-14, that:

small schools may have to consider alternative arrangements to remain viable. [...] It would be unfair to allow subsidies to continue to reach schools with a few pupils, at a significant cost to the schools with the majority of pupils.27

In the document the Government reiterates its commitment to rural schools but only “wherever they represent an efficient use of a local area’s funding.” We question whether efficiency is the best way of judging the value of a school to a rural community. The RCPU confirmed that rural proofing this area of policy was ongoing:

It is one of the challenges, I have to be honest, and I do not think we are at the end of the road with it. There is a lot more to do. Ministers have talked to each other, and we have talked to the officials. There is much more work to be done.28

18. Previously, councils could provide lump sum payments up to £200,000 to schools and vary the payment depending on need but under the revised formula agreed for 2013-14 they must pay the same to every school in their area regardless of size, locality and financial challenge.29 Critics of the proposals considered it would be difficult to foresee councils being able to afford lump sum payments at the top end of the range given the current pressures on budgets. This would mean some schools in need of extra funding would be forced to go without. Indeed, Cumbria County Council settled on a figure of £70,000 per school—an amount they considered would cause the least disruption. The Cumbria division secretary for the National Union of Teachers, chair of the schools’ forum, warned the funding reforms were “bound to cause widespread upheaval. Staff made redundant at one school would be forced to chase jobs at schools that received extra funding.”30

19. In response to concerns over the new arrangements for 2013-14, in February 2013 the Government consulted again on the reforms and produced further changes to come into effect for 2014-15.31 Those changes include the introduction of a sparsity factor, which will enable local authorities to target funding at small rural schools, and the ability for local authorities to vary the size of the lump sum between primary, middle and secondary schools, though schools within those phases must all receive the same level of payment. Though there is no extra money, and the maximum lump sum is reduced by £25,000, we

27 Department for Education, School Funding Reform: Arrangements 2013-14, 28 June 2012
28 Q 407
29 According to the Department for Education, the lump sum payment is intended to help cover the fixed cost of running a school, for example, the cost of a headteacher, caretaker and some administrative support (see Department for Education, School Funding Reform: Arrangements 2013-14, 28 June 2012).
30 North West Evening Mail, Cumbria County Council dampens fears of school closures, 21 September 2012
31 Department for Education, School funding reform: findings from the review of 2013 to 2014—arrangements and changes for 2014 to 2015, 5 June 2013
welcome the fact that the Government has, to some extent, listened to the concerns of rural communities. The sparsity factor should lead to more funding for our rural schools.

20. Eligibility for sparsity funding is based on two factors. The first is the average distance pupils have to travel to their second nearest school (as the crow flies)—schools are eligible if the distance is greater than two miles. Secondly, the size of the school—only primary schools with up to 150 pupils and middle and secondary schools with up to 600 pupils are eligible. Local authorities have discretion to reduce the size and increase the length of journey—i.e. to narrow the criteria. The maximum value of the sparsity factor is £100,000. Local authorities can allocate this as a lump sum to all schools or apply a tapering formula that favours smaller schools.

21. We are surprised that the Government has chosen to introduce an ‘as the crow flies’ measure into the calculations for sparsity. Many rural areas have challenging topography and limited transport networks. We accept that the new measures allow local authorities to make ‘exceptional applications’ for schools that have significantly higher distances if road distances are used rather than the crow flies method but to introduce this level of complexity at all is baffling. Furthermore, retaining the inflexibility of the lump sum within school phases will mean that schools with 20 pupils must receive the same payment as schools with 150 pupils, regardless of need. Again, we question the merit of this decision.

22. The introduction of the sparsity factor and the ability to vary lump sum payments between primary and secondary schools are a welcome response to concerns that the earlier proposals may have forced cuts on rural schools that might ultimately have led to their closure. However, they do not go far enough. We also question why the earlier proposals were not rural proofed with sufficient rigour to prevent the Government from applying changes to 2013-14 that it now accepts may harm small rural schools.

23. Under the revised system schools within the same phase must all receive the same lump sum payment and schools eligible for sparsity funding must receive the maximum level of payment or be subject to a rigid tapering formula. Local authorities are better placed than central government to judge the support rural schools require yet the changes for 2014-15 prevent local authorities from having the flexibility to do this. This is a backward step and we recommend the Government reverts to its previous position of allowing local authorities to vary funding according to need rather than using a centrally derived formula. The change we recommend is cost-neutral and in line with the Government’s agenda of localism. We welcome sparsity funding in principle, but introducing ‘as the crow flies’ distances adds unnecessary complexity. The option of sparsity funding should be retained but local authorities must be given more flexibility to decide the criteria used to apply to it.

24. When the school funding reforms were announced there was widespread alarm that the reforms could see some schools facing budget cuts of up to 30% from April 2013. In October 2012 the Government moved to reassure local authorities and headteachers that due to the Minimum Funding Guarantee no school’s budget would be allowed to fall by more than 1.5%. This guarantee is in place until the end of the current spending round and concern remains about what will happen when this transitional arrangement ends. The

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32 Headteacher update, Government moves to quell fears over school funding formula reforms, 29 October 2012
Minimum Funding Guarantee is essential and a welcome sign that the Government has listened to rural communities. We note the Department’s assurances that post-2015 the Guarantee “will continue to operate, in order to offer protection against unmanageable falls in school budgets”.  

25. We are also concerned that schools in rural areas may miss out on much-needed pupil premium funding. Designed to help children living in poverty, the pupil premium entitlement aims to address the inequality of attainment between those children eligible for free school meals and their peers by ensuring that funding to tackle disadvantage reaches the pupils who need it most. However, there are significant numbers of children living in poverty in rural areas who are not picked up by the free school meal measures, for example, if a family earns just above £16,000 children will not be eligible for free school meals despite the low-income meaning the child is below the poverty line. As Nick Harvey MP told the House of Commons in April 2013:

> free school meals are a blunt measure that fails accurately to represent the extent of rural poverty in areas with traditionally low wages. All that is problematic enough in itself, but the fact that the Government have chosen to target the pupil premium at children receiving free school meals makes the implications go even further than just the immediate family situation.

Schools in rural areas where families typically have low incomes receive lower pupil funding than they need to support children from disadvantaged backgrounds. The recent Ofsted Report noted that the most disadvantaged children being let down by the education system are no longer found in inner cities but are in coastal towns and rural, less populous regions of the country. The scope of the pupil premium entitlement should be extended to target more children who live in poverty than are included in the current measures that determine eligibility for free school meals.

**Healthcare funding**

26. The provision of services to help people live independent and healthy lives, and support those who are vulnerable is an increasing challenge for rural local authorities, particularly those faced with an ageing population. As Shropshire Council said:

> Of significance in rural policy terms, particularly health and social care implications, is that the population aged +65 years has risen from 18.1% of the total Shropshire population in 2001 to 20.7% in 2011, compared to 16.4% for England and Wales.

This change in demographics can be seen across rural England yet, according to a June 2012 Report by the CRC, rural authorities receive lower grant allocations, spend less on social care, charge more for home care and allocate lower personal budgets than those local

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33 HC Deb, 29 November 2012, Col 431W

34 For example, there are an estimated 1,400 children living in poverty in North Devon who are not eligible for free school meals and therefore do not attract pupil premium funding—source HC Deb, 16 April 2013, Col 25WH

35 HC Deb, 16 April 2013, Col 25WH

36 Ofsted, Unseen children: access and achievement 20 years on, June 2013

37 Ev w10 [Shropshire Council]
authorities serving urban populations. In part this may be a consequence of the perception that rural areas have less deprivation than their urban counterparts. In evidence to us Cllr Begy countered this perception and instead argued that rural areas have the same deprivation but that it is less identifiable because it does not exist in major pockets—“how we tackle that rural deprivation is an important [question]. It needs to be identified” This lack of identification may be due to the physical environment but may also be due to the myth of the rural idyll which can obscure the complex reality of rural living. For instance older people who are disadvantaged do not stand out as a visible group in rural areas and can easily merge into the background, particularly in sparsely populated areas.

27. As with the local government finance settlement, the rural premium that exists in providing healthcare services is currently not recognised in current funding arrangements. Sonia Mangan, Chief Officer, Age UK Lakeland, told us:

there needs to be that argument that rural communities in terms of health, because of the increase in the ageing population, because of the access issue, needs greater contribution in health and I am sure that most rural CCGs and health trusts would support that. If you look at the population of an inpatient or GP surgery, we are talking about older people. We are talking about older people with undiagnosed depression, older people with non-fracture falls who are in hospital for 36 hours or 72 hours. All of this costs money and that is something that is extra cost when you have a rural community.

Cumbria County Council contend that the “proposed public health funding model doesn’t take into account the significant additional cost of running services in, or the demography of, large rural areas.” Indeed, taking England’s most rural PCT area as an example, NHS North Yorkshire and York receives significantly less than PCTs in nearby urban areas: “The trust gets £1,477 per head of population compared with a regional average of £1,690, while the PCT covering Barnsley receives £1,903. In Sheffield, the PCT is awarded £1,701 and in Leeds the figure is £1,552.”

28. During health questions on 15 January 2013 the Minister of State for Care and Support conceded that services might cost more in rural areas:

I understand the [...] concerns, but allocations have to be based on solid evidence. The area where we do not have the evidence is on community services. The data will start to be collected on that and we will therefore be able to demonstrate whether community services cost more in rural areas, as I suspect they do. If that is the case, the allocation formula will be able to reflect that.

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38 Commission for Rural Communities, Variations in access to social care, 20 June 2012
39 Q 276
40 Rural Media Company, Over the hill? Growing older in the English countryside
41 Q 274
42 Yorkshire Post, Rural Communities are being ‘sacrificed’ in NHS cash crisis, 26 January 2013
43 HC Deb, 15 Jan 2013, col 723
29. Given the Minister’s identification of the importance of data it is disappointing that out-of-date figures (2001) were used as a base for the most recent funding allocation.\(^{44}\) Populations can change dramatically in a decade and using figures that do not recognise such changes may mean rural areas, whose populations are ageing, miss out on vital funding. Defra has a role to play in assisting Departments in this area. It is therefore welcome that, speaking at a November 2012 conference, Defra’s Head of Rural Services, Audrey Roy, said in response to the perception of inadequate rural health funding, that she would “tell the Government to consider rural issues such as rural ‘diseconomies’ of scale, and the pockets of deprivation that are hidden in rural areas”.\(^{45}\) We welcome Defra’s attention to the inequality of funding in healthcare and the Department of Health’s intention to collect data to on the cost of service provision in rural areas. As the local government finance settlement has shown, consultations and data collection are ineffective if the results are not acted on. As part of their rural-proofing remit Defra must make sure this does not happen. We expect to see progress in this area detailed in the next update of the Rural Statement. We also agree with the Rural Services Network that there must be greater recognition of rural deprivation within the funding formulae and health care regimes. Defra and the Department of Health should work with relevant organisations such as the Rural Services Network and the new Rural Health Network to ensure a fairer deal for rural communities.

30. In our call for written evidence we asked whether Defra had identified the correct priorities for the Rural Communities Policy Unit. Many respondents suggested rural health had been overlooked. **Given the difference in experience of health services between urban and rural areas, the unequal funding allocation and the increasing age of rural populations, we believe rural healthcare should be a top priority for Defra Ministers.**

\(^{44}\) Q 275

\(^{45}\) Dispensing Doctors Association, Rural deprivation raised by DDA: Defra pledges to challenge Government. Ms Roy was speaking at the conference: Challenging Times: working together to deliver effective rural health services.
3 Broadband and mobile

31. In the previous chapter we identified a number of areas of public service provision in which rural communities are at a funding disadvantage. This ‘rural penalty’ is not limited to public services, it is also acute in many areas of infrastructure, not least the provision of high-quality broadband. Businesses, schools and households in rural areas have fallen behind their urban counterparts when it comes to broadband access. In 2010, 11% of rural households had no broadband and 12% had access only to slow broadband.46

32. The lack of adequate broadband has been identified repeatedly as one of the key barriers to growth for the rural economy. Broadband offers rural businesses the means to overcome the barrier of distance to markets and customers in order to grow their business. As Paul Johnson, Chair of Swindon and Wiltshire Local Enterprise Partnership, told us:

The broadband issue is incredibly important. It helps small, isolated businesses get access to information and their marketplace, and to market themselves. It is clearly important. It also impacts on quality of life for those doing schoolwork at home, and businessmen who do business at work and then want to complete work in the evenings. If you are going back into a location that looks attractive but has no broadband access, it is incredibly frustrating as a place to settle and work.

Broadband is also important in bringing customers into a location, this is particularly evident in the tourism industry. High-quality broadband connections allow rural businesses to market themselves cheaply and effectively and take bookings over the internet; the lack of it can have an adverse impact on a business’s ability to attract guests as many tourists now expect decent broadband connectivity while away from home.

33. BT highlight the importance of superfast broadband to the economy:

Superfast broadband will further boost the rural economy by providing businesses with access to the same facilities as businesses based in towns and cities, and reach out to customers worldwide. Businesses will be more flexible around where they are based, bringing employment to areas where people traditionally leave to find work, and existing rural businesses will be able to conduct their business with the same efficiency as others who are able to access information easily and send complex documents or use burgeoning online services.47

The Federation of Small Businesses 2012 ‘Voice of small business’ survey of 3,000 members found that 63% of small rural firms were dissatisfied with the speed of their broadband connections, and 34% bemoaned its reliability.48 Reliable high-quality broadband is crucial to reducing the competitive disadvantage rural businesses are faced with compared with their urban rivals. Without it rural businesses will struggle to grow and expand and the true potential of the rural economy will not be realised. It is no longer a luxury; indeed as

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47 Ev w53 [BT Group Plc]
48 Federation of Small Businesses, *The missing links: revitalising our rural economy*, 21 May 2012
central and local government move more of their services to digital by default, broadband has become an essential utility.

**The Government’s proposals**

34. Soon after the current Government took office it pledged that the UK would have “the best superfast broadband network in Europe by 2015”.49 Commenting at the launch of rural broadband programme in June 2010 the then Secretary of State for Environment, Food and Rural Affairs, Rt Hon Caroline Spelman MP, underlined the importance of broadband for rural communities:

   Providing effective broadband connections for rural communities is one of my top priorities. Broadband access for rural communities is essential if we are to provide the means for their economies and businesses to grow and to minimise the social digital divide for people living in rural areas. I will work closely with colleagues across Government to make this happen.60

35. In a speech in May 2011 Jeremy Hunt MP, the then Culture Secretary, gave further details of the Government’s ambitions which included nine out of 10 homes and businesses to have access to ‘superfast’ broadband (24Mbps) and everyone to have access to at least 2Mbps by 2015.51

36. Figures from Ofcom’s 2011 Infrastructure report on broadband take up revealed the scale of the challenge facing the Government.52 According to Ofcom 86% of the UK’s households had access to at least 2Mbps broadband, while only around 60% of households had access to superfast connections.53

37. There are two Government funds available to support its objectives:

   • Rural Broadband Programme—A £530million fund allocated to local authorities and devolved administrations who are then responsible for managing the procurement process in accordance with a framework set out by BDUK—a body set up with the explicit purpose of overseeing the delivery of the Government’s broadband commitments. The funding is being disbursed by BDUK and is, to a large extent, being matched by local authorities.

   • Rural Community Broadband Fund—A £20million joint fund between the RDPE and BDUK that exists to help rural communities in the last 10% get access to superfast broadband. Communities have to bid for funds and provide matched funding themselves.

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49 DCMS press release, Next phase of superfast broadband plans announced, 6 December 2012
50 DCMS press release, Culture Secretary launches rural broadband projects to kick start revolution in digital economy, 8 June 2010
51 DCMS press release, Government aims for superfast broadband to reach 90 per cent of homes and businesses, 12 May 2011
52 Ofcom, *Communications Infrastructure Report 2011 - Fixed broadband data*, July 2011
53 May 2013 figures from Ofcom for 2Mbps coverage show a jump to 95% but it is worth noting that the methodology for collecting the data has changed. Previously a postcode area was judged to have broadband at less than 2Mbps if one property in the area was below the line. An average speed for the area is now used.
The Government also recommends that local authorities should try to access support through the European Regional Development Fund (ERDF). European regulations do not permit ERDF to be used to fund major broadband infrastructure in ‘Regional Employment and Competitiveness’ programme areas. However, ERDF can be used to fund ‘last mile’ infrastructure to allow connectivity to broadband networks for Small and Medium Enterprises (SMEs). A number of local authorities have successfully bid for ERDF funding, Cornwall, for example, received over £50m between 2007-13.\(^{54}\)

38. In addition to the above, starting in April 2015, the BBC will pay the Department of Culture, Media and Sport £12.5m a month for two years. The Government have committed to using this money, totalling £300million, to further the roll-out of broadband to rural areas.\(^{55}\)

**Rural Broadband Programme**

39. The public sector cannot afford to roll out superfast broadband universally. Indeed, there is some scepticism that the target of 90% of households by 2015 will be reached.\(^{56}\) While we support the Government’s efforts under the Rural Broadband Programme we have concerns that the chosen approach may increase the digital divide further. In pushing for increasing speeds the Government must not lose sight of those who currently lack access to broadband or whose access is below the 2Mbps threshold considered by the Government necessary for an adequate internet service.

40. The Universal Service Commitment of 2Mbps is a big step forward for households and businesses currently with no or slow broadband. This part of the rural broadband programme is crucial and it should not be undermined by the ambition to roll out superfast broadband to those who already enjoy an adequate service. It must be the priority, particularly if there is a risk of funding not stretching as far as originally hoped. However, given the delays to the Programme, the Committee is unclear when those currently without any access may benefit. 2Mbps must also be the minimum speed that users receive during periods of peak demand, not a headline ‘up to’ figure that is rarely achievable. Not that we consider 2Mbps good enough; while it may be sufficient to stream video content for one device, households increasingly have a number of devices that compete for internet connectivity—this needs to be recognised in future plans to move beyond the USC.

41. We heard evidence of communities wishing to put in broadband infrastructure that would support speeds of up to 10Mbps but because that speed does not qualify as superfast the Government would not provide support. This is not acceptable. The Government should do all it can to support those communities who wish to deliver broadband solutions that may differ from the Government’s prescribed vision but will deliver greater benefits

\(^{54}\) Superfast Cornwall press release, Super-fast fibre broadband ‘goes live’ in North Cornwall, 2 November 2012

\(^{55}\) BBC Ariel magazine, BBC signs agreement to pay £300 million for broadband roll out, 8 August 2012

\(^{56}\) BT has already said that it won’t complete much of its work until the end of 2016. The NAO Report, The Rural Broadband Programme, states that DCMS now forecast the programme to complete its roll out 22 months later than planned. Only nine out of 44 local projects are expected to reach their original target of providing 90 per cent superfast coverage by May 2015. On 27 June the Chief Secretary to the Treasury downgraded the Rural Broadband Programme’s superfast coverage to “around” 90% of UK households.
for the community. The push for superfast and the USC should not mean that more cost-effective schemes that offer increased speeds within the range of 2-24Mbps for the hardest to reach communities miss out on vital support. As part of the 2Mbps roll-out, if communities wish to put in place an alternative scheme that offers better broadband than the USC would offer then they should receive every encouragement and support from Government to do this—including any funding originally intended to help those communities meet the USC.

42. Too often consumers are promised speeds by broadband providers that they have no hope of receiving. According to Ofcom the average advertised speed in the UK in May 2011 was 15Mbps, some 8.2Mbps higher than the average actual speed of just 6.8Mbps. As the Fibre to the Home Council Europe made clear in an open letter “Retailers would not be able to charge shoppers for items that were only half full yet broadband firms can advertise download speeds their customers may never be able to reach.” It would be unfortunate for the Government to be guilty of this behaviour. As part of the Rural Broadband Programme local authorities should give an honest assessment of the average speeds residents can expect to receive once the roll-out is complete. To do otherwise risks disenfranchising the rural communities the programme is set up to help.

Upload speeds and capacity

43. The focus of the Government’s Rural Broadband Programme is to improve the download speed available for residents and businesses in rural areas but the other side of this equation is just as important. As Dr Adam Marshall from the British Chambers of Commerce told us:

The Government’s target only refers to download speeds. A lot of rural businesses are creative businesses, and it is the ability to get information up the pipe and to clients anywhere in the world that is just as important as bringing information down the pipe and into your farmhouse, hamlet or wherever else it might be that you are doing business. It is simply not good enough if you cannot get your intellectual property and your product or service out to the world and export it. The Chambers of Commerce overwhelmingly spend most of their time helping businesses to export, and that frustration comes to the fore over and over again.

In its drive to improve download speeds to meet the headline targets of 2Mbps and 24Mbps the Government must not lose sight of the other direction of travel. To have the positive impact on rural businesses and the rural economy which the Government desires, the new infrastructure must deliver effective upload speeds and capacity. The USC should include a minimum upload speed target set at a level that meets the needs of SMEs and consumers. The Government-funded infrastructure must also have the capacity to allow such a speed to be achievable at times of peak demand.

57 www.Cable.co.uk, FTTH Council Europe demands clearer information on broadband speeds, 24 January 2013
58 Q 9
Coverage and demand

44. The original announcement of the roll-out of broadband to rural communities included the commitment that everyone would have access to a minimum of 2Mbps and 90% would have access to 24Mbps superfast broadband. In response to the House of Lords Communications Committee’s report on broadband \(^{59}\) the Government restated the universal ambition as being “virtually every household”. This may simply be a clarification rather than a downgrade in ambition, as the Minister told us “not every household has electricity and not every household has some of the services that people take for granted”. \(^{60}\)

On 27 June 2013, the Chief Secretary to the Treasury announced that on current plans roll out of superfast broadband would reach “nearly” 90% of households. In response to this Report the Government should set out how many households and businesses are not going to be covered by the roll-out of 2Mbps broadband under the Rural Broadband Programme, and the reasons for this.

45. Take up of superfast broadband was initially slow. In 2010 more than 60% of households had access to superfast broadband but only 8% had signed up for it. Changes in consumer behaviour with increasing use of bandwidth-heavy content such as video streaming and an increase in the number of devices per household has seen take up rise. In November 2012, 13% of residential broadband connections were superfast.

46. In order to speed up the provision of superfast broadband coverage people need to demonstrate that there is real demand for it. There are examples across the country where communities have successfully campaigned for better broadband. In Oxfordshire a community challenged the big ISPs’ assumptions that it was not a commercially viable proposition for the roll-out of superfast broadband. According to the Chair of Islip parish council, “We spoke to BT about how we could boost their business case to bring fibre to the cabinet serving the village ... They worked out what the extra cost would be, and we have raised the funds ourselves to make up the gap in the economics.” \(^{61}\) The actions of communities like Islip demonstrate that exclusion from the roll-out of a superfast broadband programme is not an insurmountable barrier. \(^{62}\) Rural communities should not be passive in their desire for superfast broadband. Indeed, evidence suggests that the chances of receiving superfast broadband increases if a community can put forward a business case to the provider or local authority. The Government should use organisations such as ACRE and the Rural and Farming Networks to make rural communities aware of the options available to them.

Process

47. The roll-out of broadband under the Rural Broadband Programme has not been without difficulties. From the outset progress was slow and bogged down in getting state aid clearance from the European Commission. Following several meetings between the

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59 Department for Culture, Media and Sport, Government response to the House of Lords Communications Select Committee Report, “Broadband for all—an alternative vision”, Cmd 8457, October 2012

60 Q 160

61 Computer Weekly, Islip puts up cash for fibre broadband, 15 January 2013

62 INCA’s ‘Beyond Broadband’ paper sets out some of steps rural communities can take to get the broadband networks they want. It is available at www.inca.coop/projects/beyond-broadband
Commission and the UK, and requests for deadline extensions—it took the UK until 5 October to provide answers to the Commission’s 29 February 2012 request for information—state aid clearance was finally obtained on 20 November 2012. It is disappointing the process took as long as it did, but getting state aid clearance is an achievement the DCMS should be proud of.

48. The tendering process designed by BDUK aimed to encourage competition with BT, who already own a national telecoms network and service infrastructure, but it instead attracted considerable criticism from companies over difficulties that new entrants had in competing with the scale of BT. As a result of the tendering process only two companies, Fujitsu and BT, were given permission to bid for funds from the programme. To date BT has won all of the contracts under the programme and Fujitsu has now effectively withdrawn from the process leaving BT without any competition. A spokesman from Fujitsu said, “Various conditions surrounding the BDUK process, which we have discussed with the DCMS, effectively rule Fujitsu out of the competition for new areas.”

49. We should be proud that a British company has the experience and expertise to facilitate the roll-out of the broadband on the scale required by the Rural Broadband Programme. We also welcome the news that BT seeks to employ a further 1,000 engineers including 400 apprentices as part of its efforts to roll out broadband to rural areas. However, a procurement process involving contracts worth over a billion pounds needs to be competitive. A process in which only one applicant applies for and wins all of the work clearly failed this test.

50. In October 2012 BT was accused of inflating its prices when a document compiled by a consultant working for the DCMS was leaked to local authorities and subsequently detailed on a blog. BT strenuously denied the accusation but the row led critics to call for more transparency in the bidding process. According to Andrew Ferguson, editor of broadband news site ThinkBroadband,

> The ability to negotiate individually with the various local authorities does mean that BT can adjust costs, the question no-one can answer without months of analysis and access to material not in the public domain is whether the cost variations are justified.

51. As Malcolm Corbett, Chief Executive of INCA, expressed the position to us, “If you only have one competitor—as a cabinet member from one local authority said to me, he would not spend £40 million on a road scheme with just one competitor in the process. He would want to see more competition than that, and I think we all would like to see that.” On 5 July 2013 the National Audit Office published its review of the Rural Broadband Programme. On value for money the NAO noted, “The Department does not have strong assurance that costs, take-up assumptions and the level of contingency in supplier bids are justified.”

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64 Computer Weekly, Fujitsu pulls out of BDUK, 18 March 2013

65 BBC News Online, Rural Broadband gets green light from Europe, 10 October 2012

66 Ibid.

67 Q 139
reasonable.” The NAO recommended that the Department seek “further information in bid responses on cost drivers, unit costs and reasons for cost variations to enable ‘should cost’ models to be applied.”

52. Ensuring that local authorities receive value for money is a crucial part of BDUK’s role and is essential if taxpayers are to get the greatest possible return from their investment. Without being able to share information between them, local authorities must rely on advice from BDUK. BDUK and Ofcom should consider requiring BT, where it is in receipt of state aid, to disclose its costs in a way that permits comparison across contracts. Without such transparency it is difficult to see how value for money can be guaranteed, particularly now that the only competitor to BT has effectively ruled itself out of the bidding process.

**Rural Community Broadband Fund**

53. The Government’s decision to tackle the lack of adequate broadband in rural areas is very welcome but even within this policy the rural penalty is obvious. While residents in urban areas have superfast broadband infrastructure rolled out at no cost to themselves this is far from the case in the most rural parts of the country. The Government has set aside just £20m to further the provision of superfast broadband in the 10% of communities which are hardest to reach—out of a total pot of £540m. The £20 million comprises £10m from the RDPE and £10m from the Rural Broadband Programme and is available under the auspices of the Rural Communities Broadband Fund (RCBF). In order to access funding from the RCBF, rural communities must first provide the upfront funding themselves, or as the Applicant’s Handbook states “you will need to spend first—and then claim later. You will therefore need to make arrangements to pay for all works up front, meaning that you will need some reserve funds or other means to ‘bank roll’ the project.” So not only is less than 2% of government spending for rural broadband being allocated to rolling out superfast to the most rural 10% of the country but it is only available if communities contribute up to half the funding projects require and more than that at the outset. Rural communities are paying for what their urban counterparts receive for free. This does not strike us as a deal that is fair for rural communities.

54. The process for applying for funding from the RCBF does not appear devised for small, community-based organisations. Cumbria Council told us that

> you have to understand state aid issues and procurement. You have to be able to cash flow: you talk in six figure numbers. When you are trying to say, “Can you as a small organisation cash flow?” It has been very difficult. Some of our communities are war-weary in trying to access the funding. That is problematic. We have others who have very robust local partnerships in place and know how they are going to deliver programmes, but I would suggest it has not been devised for communities.

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68 National Audit Office, *The Rural Broadband Programme*, HC 535

69 Rural Development Programme for England (RDPE) and Broadband Delivery UK (BDUK), *Rural Community Broadband Fund (RCBF), Applicant’s Handbook—Expression of Interest round two*

70 Q 44
55. There have been three rounds of funding from the RCBF so far with the window for the most recent round of applications closing on 17 June. For the third round we expect the RCPU to have acted on criticisms from the previous rounds. It is encouraging that there was the flexibility to extend the window for applications and that Defra is now also offering grant payments in excess of 50% of the project costs but it remains disappointing that payment under the Rural Community Broadband Fund is available solely on evidence of past expenditure. The grant should be there to help communities to roll out broadband infrastructure, not just a means of recovering some of the costs afterwards.

56. Currently the RCBF is the only way the Government will provide support to the 10% most rural areas to help them get superfast broadband. Despite the criticisms of the application process the evidence we received on the usefulness of the Fund was positive. For example, Malcolm Corbett from INCA, suggested “it is pointing the way to finding approaches that can deliver very high-capacity services in deeply rural areas.”

57. The Fund was originally limited to applications that involved the roll-out of fibre-optic broadband because a criteria of state aid set down by the European Commission meant that the Government could only support initiatives that would help the UK reach the Commission’s target of everyone having access to 30Mbps broadband by 2020—broadband via fibre-optic cables are the principal means of achieving such a speed. However, laying fibre-optic cables is an expensive and complicated method for very rural areas. Anyone wishing to receive support for installing satellite or wireless broadband solutions was excluded from applying to the RCBF even if they were the best suited solutions for their area. The House of Lords Communications Committee reported how the superfast target speed prevented one remote upland community from bidding for support to provide a 15Mbps solution, without which they now must rely on 2Mbps. Sara Eppel, Head of the RCPU told us that the Commission has now recognised the benefits of other technologies:

> the European Commission required us to do it with fibre optic, but they have now come back recently and said that we can look at wireless as a transition technology. This is because they recognise that in certain topographies and distance from fibre optic, actually we are going to end up with no broadband speed increase, or at very basic levels. So they are allowing us to use wireless broadband for some of our really final 10% areas.

We welcome the Commission’s change of heart in this area and recognise the efforts the Government have put in to achieve this.

58. Communities are only eligible for funding if they can prove they are in the 10% hardest to reach area as set out by their local authority’s Local Broadband Plan. This should become easier now most local authorities have had their broadband plans approved. We agree with John Moore, Chief Executive of NYNET, that “somebody needs to look at the

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71 Q 140
72 House of Lords Select Committee on Communications, First Report of Session 2012-13, Broadband for all—an alternative vision, , HL 41
73 Q 432
whole map” and take account of the areas between those covered by BT and the small areas covered by RCBF and other schemes.74

59. The Rural Community Broadband Fund is an important lever in the roll-out of superfast broadband to the hardest to reach 10%. It is therefore disappointing that so little money, less than 2% of government’s overall funding for broadband, has been made available to encourage and support innovative community-led solutions in these rural areas. Defra should expand the scope of the RCBF when the next round of RDPE funding is available.

Beyond 2015

60. On 27 June 2013, the Chief Secretary to the Treasury announced the Government’s plans for the delivery of rural broadband post 2015:

The Spending Round announces a further £250 million investment, locally match-funded, to extend superfast broadband provision from current coverage plans so that 95 per cent of UK premises will have access to superfast broadband by 2017. The Government will work with industry to develop the more innovative fixed, wireless and mobile broadband solutions required to move to at least 99 per cent superfast broadband by 2018.75

61. After the announcement the Secretary of State for Culture, Media and Sport confirmed that the £250 million would be drawn from the previously announced £300 million coming from the BBC and that what happens to the remaining £50 million is still to be decided.76 Five per cent means an extra 1.4 million premises will have access to fixed superfast broadband but, we question the extent to which financially constrained local authorities will be able to contribute to the project. It is unclear whether the funding will result in local authorities renegotiating existing contracts with BT or whether there will be another round of bidding. The Government have known about the money coming from the BBC for some time. It would therefore be disappointing if its provision caused further delay to work starting.

62. Furthermore, the Government’s plans appear to lack vision. The Government’s objective to have the best broadband network in Europe by 2015, was based primarily on Fibre-to-the-Cabinet technology, but by 2023, without further work, this would leave the UK behind other countries.77 Ofcom have already indicated that the UK’s Universal Service Commitment of 2Mbps is too slow and will need to be raised in the future.78 This short-term view contrasts poorly with countries such as France and Australia who have announced and embarked respectively on multi-billion pound projects to roll out future-
proofed high-speed broadband networks based primarily on fibre-to-the-home technology.79 As the British Chambers of Commerce told us:

*Dr Marshall*: I do not believe that the ambition, however, is strong enough in terms of the Government’s broadband strategy, or any UK Government’s broadband strategy. One of the things on our infrastructure more generally that businesses are concerned about is short-termism of policy initiatives and the lack of a several-decades-long view, whether it is transport networks or broadband networks etc ... our strategy is not adequate.80

63. The broadband news site ThinkBroadband points out that

Given that it has taken from 2010 till the very end of 2012 for the first BDUK cabinet to be deployed, the time frame is clear that if we wait until all the BDUK and RCBF projects complete there will be a two or three year period of political debate with little change in physical delivery of broadband.81

The Government needs a longer terms broadband strategy. Plans to deploy Fibre to the Home technology need to be drawn up and actively considered now.

64. We welcome the Government’s commitment to roll out superfast broadband to 95% of UK premises but we question whether using matched-funding under the BDUK model is the best means of achieving this objective. The Government should look instead to how it can use the money to support and lever community and private sector investment. Myriad independent projects already exist outside the BDUK and BT roll out process, B4RN, WiSpire and Gigaclear to name just a few. One of the biggest challenges facing smaller broadband companies is the ability to meet up-front costs—this can mean that potential customers are required to provide up-front financial support or can be charged an above-market rate to connect to the service. This is where the funding from the BBC can have an impact. The Rural Community Broadband Fund demonstrates that applying public sector funding to support community and private sector projects can bring tangible results. Malcolm Corbett told us that:

it is a very useful little scheme as it stands, and I think there are some lessons we can draw from that for the [...] additional £300 million that could be made available. We can think about ways of making that money go an awful lot further than it otherwise would if we think of it in terms of investment and think how we can attract additional private and community sector capital into the process, and that is what I think we should be doing.82

79 France has announced a €20 billion scheme to build a high speed broadband network, Australia have embarked on a £27 billion programme to roll out Fibre to the Home see http://www.thinkbroadband.com/news/5726-france-to-spend-20-billion-on-fibre-broadband.html

80 Q 9

81 www.Thinkbroadband.com, Has Ofcom been studying our polls?, 11 January 2013

82 Q 141; For example, in Northumberland the council led i-Northumberland programme is offering ISPs financial support to deploy broadband services in hard to reach communities. Loans awarded under the scheme will be repayable over three years, allowing providers to offset the otherwise prohibitively high cost of installations in remote locations.
65. The Government should draw on lessons from the Rural Community Broadband Fund and use the funding from the BBC as a lever to encourage private and community sector capital and expertise. As a pre-requisite, the Government must publish details showing precisely what areas will be covered by BT and when, in order to encourage alternative providers to fill in the gaps and prevent bodies in receipt of public money competing with each other. We have already stated our belief that the RCBF should provide up-front support to projects and this should also be the case in the application of the funding from the BBC.

Mobile Infrastructure Project

66. The Government has committed £150 million in capital expenditure through the Mobile Infrastructure Project to improve mobile coverage where existing coverage is poor or non-existent. The aim of the project is to address 60,000 of the 80,000 ‘not-spots’ in voice and basic data (text messages). Mobile data is not included but the infrastructure can be upgraded to do this.\(^83\) Together with rolling out broadband, it is expected that improving mobile phone coverage will help support growth in the rural economy.

67. Existing agreements with mobile network operators contained obligations to cover 90% of the UK population with 2G services (voice and text)—these obligations were met a number of years ago.\(^84\) This has left parts of the UK without any mobile coverage, predominantly in rural areas where there is no commercial case for mobile network operators to provide their services. Through the Mobile Infrastructure Project the Government intends to remedy this issue by funding the construction of mobile infrastructure and making it available to all four mobile network operators. Announcing the scheme at the Conservative Party Conference in 2011 the Chancellor said, “We are today extending mobile phone coverage for up to six million people”\(^85\). By the time of the 2012 Budget six months later, the scope of scheme had been scaled back to extending coverage “to 60,000 rural homes and along at least ten key roads by 2015” as state aid rules meant the funding could only be used in those areas without a signal from any of the four mobile operators.\(^86\) The Minister admitted to us that this was “a sizable drop”.\(^87\)

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\(^83\) A total not spot is defined as a 200m\(^2\) grid square where the projected RSSI threshold for all operators is less than - 86dBm. Lower coverage is typically in less densely populated areas. Source: Ofcom, *Infrastructure Report—2012 update*, 16 November 2012

\(^84\) In addition, operators of 3G services have been incentivised to increase 3G coverage to 90% in return for an indefinite licence term. However, this level still falls short of existing 2G coverage and operators may make use of existing infrastructure to extend their 3G coverage rather than through going to areas where no coverage exists. See European Commission, *State aid SA.35060 (2012/N)—United Kingdom: Mobile Infrastructure Project, C(2012) 8681 final*, 5 December 2012

\(^85\) Speech by the Chancellor of the Exchequer at the 2012 Conservative Party Conference

\(^86\) HM Treasury, *Budget 2012*, HC 1853

\(^87\) Q 193
Table 1: Mobile coverage in the United Kingdom\textsuperscript{88}

<table>
<thead>
<tr>
<th></th>
<th>2G</th>
<th>3G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Geographic coverage</td>
<td>Premises coverage</td>
</tr>
<tr>
<td>No signal from any operator</td>
<td>No signal from any operator</td>
<td>Signal from all operators</td>
</tr>
<tr>
<td>England</td>
<td>4.2%</td>
<td>72.8%</td>
</tr>
<tr>
<td>Scotland</td>
<td>27.5%</td>
<td>38.0%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>8.5%</td>
<td>58.8%</td>
</tr>
<tr>
<td>Wales</td>
<td>14.3%</td>
<td>49.2%</td>
</tr>
<tr>
<td>UK</td>
<td>12.8%</td>
<td>58.8%</td>
</tr>
</tbody>
</table>

68. There is a marked difference between the geographical coverage of mobile networks and the proportion of premises covered as operators have focused their efforts on areas where most consumers are located. Harry Cotterell from CLA questioned whether using number of premises was the most appropriate target as most premises will already have a landline:

> It must be area covered, because in our businesses people are remote. They may be near home, but they may be two, three or four miles away. They may be at market and that can be remote and it is terribly difficult, if you are not utilising area as a measurement, to get a true reflection of what is being delivered.\textsuperscript{89}

Both Mr Cotterell and Mr Dunn from the Tenant Farmers Association raised the benefits that mobile phone coverage could bring to those working in the countryside, not only due to the increased number of calls that farmers are expected to take during the day but also the health and safety aspect on lone working—for people "out there working by themselves [...] their lifeline effectively is a mobile phone."\textsuperscript{90}

69. On 13 May 2013 the Government announced that it had appointed communication infrastructure company Arqiva to deliver the project and that all four mobile network operators had signed up to the scheme. Originally, businesses and consumers were told they would start to benefit from improved mobile coverage from early 2013 and roll out would be completed in 2015 but the timetable has slipped owing to the need to get state aid clearance and negotiations with the mobile network companies being slightly more

\textsuperscript{88} Ofcom, \textit{Infrastructure Report—2012 Update}, 16 November 2012

\textsuperscript{89} Q 109

\textsuperscript{90} Q 109
protracted than initially hoped. Cumbria is set to be the first area to benefit from the project with seven new masts by March 2015 and a further 17 to follow after that.91

70. The lack of mobile coverage in large parts of rural Britain is unacceptable and we welcome the Government’s commitment to go some way to addressing this problem through the Mobile Infrastructure Project, although it is disappointing that the ambition of the scheme has been scaled back from that originally announced. We are concerned that in focusing on reducing the number of premises in ‘not-spots’, which may already have landline access, large parts of the countryside and those who work in it may still be left without access to mobile technology. The Government must set out what improvement in geographical coverage the Government foresees as a result of the £150 million initiative.

71. We urge communities and local authorities to embrace plans to roll out mobile infrastructure and work proactively with the delivery body through the planning process. At the same time, the delivery body must give due consideration to the value of the natural beauty of the rural landscapes in which it will be installing the infrastructure.

72. The Government’s ambitions will not be realised if the mobile network operators delay occupation of the new infrastructure. We expect the mobile network operators to occupy the new infrastructure as soon as is possible. The Government must report regularly on occupation rates once the infrastructure is in place.

91 www.in-cumbria.com, Plan to banish Cumbrian mobile signal blackspots, 21 June 2013
4 The rural economy

Background

73. There are more than 513,000 businesses (28% of England’s total) in predominantly rural areas, and together they contribute £211bn to the economy (19% of the overall total). According to the Commission for Rural Communities the untapped economic potential of rural areas might be worth an extra £347 billion per annum to the national economy, if more policies supported rural economic development. Defra has made putting in place such policies its top priority and has launched a number of schemes aimed at growing the rural economy. For lasting growth in the rural economy to be achieved, barriers such as lack of finance, poor mobile and broadband communication, and difficulty accessing labour, customer and supplier markets need to be addressed.

What is the rural economy?

74. The rural economy isn’t homogenous. Local economies around cities and within the commuter belt differ from those in more isolated areas. The 2010 Office for National Statistics Annual Business Survey shows that, in terms of Gross Value Added (GVA), ‘Production’, ‘Distribution, transport, accommodation, and food’ and ‘Public administration, education and health’ each contributed roughly one fifth to the rural economy. ‘Agriculture, forestry and fishing’ made up approximately 5% of the rural economy’s GVA but accounted for 15.9% of the number of businesses in rural areas—this rose to more than half in the most rural areas. Small and micro businesses (with fewer than 50 and 10 employees respectively) account for half of employment in rural areas compared with around a quarter in urban areas, while rates of home working are more than double. This increases in sparse rural areas where 13% of employees and self-employed work from home compared with only 3% in urban areas.

75. Since 2010-11, there has been an increase of 1.3% in the number of businesses in rural areas, compared with increases of 4.3% in urban areas and 3.5% in England as a whole. However, there has been a decrease of 0.5% in those areas classed as ‘sparse rural town and fringe’. These data, together with information from the Rural Economy Index run by the CLA and SmithsGore for the first quarter of 2013 suggest that growth in the rural economy may be stalling. The index shows a fall in profitability in both the farming and non-farming sectors over the period and reduced optimism for the year ahead. However, as the CLA
point out, we should not underestimate the impact of poor weather in 2012 on agriculture and tourism.\textsuperscript{100} Tony Gates, Chief Executive, Northumberland National Park Authority, told us that in 2012 footfall within his Park was down 25% in some areas and visitor spend in some of the visitor centres was down as much as 30%.\textsuperscript{101}

**Barriers to growth**

76. For the rural economy to grow and achieve Ministers’ ambitions of contributing a greater share to the national economy, a number of barriers need to be overcome. Many of these barriers are generic issues facing businesses across the country but they can become accentuated in rural areas. Dr Adam Marshall, Chief Economist at the British Chambers of Commerce, suggested there were five main barriers to growth for businesses in rural areas:

i. Digital and transport infrastructure;

ii. Planning and rates;

iii. Access to skills and labour;

iv. Affordability of housing; and

v. Access to finance.

Digital and transport infrastructure and housing have their own chapters in this Report. We discuss the remaining issues in detail below.

**Planning and rates**

**Business rates**

77. In its 2012 report the Federation of Small Businesses considered that the “burden of business rates falls disproportionately on small businesses compared to large firms. This is even greater for small rural firms who are predominantly micro in nature”.\textsuperscript{102} Since the FSB published its report, the Government has put forward several measures aimed at providing a degree of relief from business rates for small businesses. In the 2012 Autumn Statement the Chancellor announced plans to extend the Small Business Rate Relief scheme by a further 12 months to April 2014. The move is expected to see 350,000 businesses taken out of business rates until 2014, and over half a million small businesses benefiting from the extension. With small and micro businesses accounting for half of employment in rural areas this step particularly benefits the rural economy.

78. The Chancellor also announced that, subject to consultation,\textsuperscript{103} all empty new built commercial property completed between 1 October 2013 and 30 September 2016 will be

\textsuperscript{100} Q 91

\textsuperscript{101} Q 307

\textsuperscript{102} Federation of Small Businesses, *The missing links: revitalising our rural economy*, 21 May 2012

\textsuperscript{103} HM Treasury, *Autumn Statement 2012*; the Government published the consultation on 12 June 2013. Entitled ‘Business Rates: New Build Empty Property Technical Consultation’ it is focused on the detailed and technical issues concerning the implementation of the policy.
exempt from empty property rates for 18 months, up to state aid limits. Before the Autumn Statement, Harry Cotterell, President, Country Land and Business Association (CLA), told us that,

business rates on empty properties, which we come back to time and time again, are having a really disproportionate impact on speculative development in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm building into a business premises unless they have a tenant completely signed up, because they know that if that does not work out they are going to end up paying business rates after six months on that, which is a really significant deterrent to diversification projects.104

79. Dr Adam Marshall considered that because of empty property rates, “you are not seeing some of the speculative space being built that could either be incubator space or follow-on space for some of the businesses of the future in these areas.”105 We welcome the move by the Government to extend the Small Business Rate Relief scheme and the proposal to exempt newly built commercial property from empty property rates. The Small Business Rate Relief scheme helps tens of thousands of rural businesses, and its extension is good news for the rural economy. Rural areas have more business start-ups per head of population than urban areas. Defra has identified a shortage of work premises as a barrier to those start-ups—the exemption of new-built commercial property from empty property rates has the potential to address this problem and provide much needed work space for our rural entrepreneurs. It also helps those farmers wishing to diversify and convert redundant farm buildings into let-able business space by removing the need for urgent occupation which has discouraged farmers in the past. The measure to exempt new-built commercial property from empty property rates is currently out to consultation but it has our full support and we hope to see it implemented in October 2013 as envisaged by the Chancellor.

80. One scheme specific to the countryside is the rural rate relief scheme. This relief was introduced to help protect the last retail outlets and similar services, such as shops, pubs, and petrol stations, in rural settlements with a population of less than 3,000. Under the scheme, businesses that meet the criteria are entitled to 50% mandatory rate relief. Local authorities have a discretionary power to top up the relief to 100%. They can also, if they wish, provide discretionary relief up to 100% to other rural retail facilities, providing the rateable value is below £16,500. The FSB want local authorities to make greater use of the discretionary element of rural rate relief106 but the councillors who gave evidence to us reassured us that this was already happening as it was in local authorities’ interests to promote business rate relief. Cllr Keith House told us “[local authorities] are not going to promote growth and business success if there are blocks and barriers to businesses performing.”107 Helen Wright provided evidence that East Riding was implementing the discretionary rate relief:

104 Q 91
105 Q 3
106 Federation of Small Businesses, The missing links: revitalising our rural economy, 21 May 2012
107 Q 64
in 2012–13 so far we have put in £334,105 of discretionary rate relief for rural businesses. I would fully support what Councillor House says. Rural areas in the East Riding are really the bread and butter as far as I am concerned: they are the heart of the East Riding; they know what it is about. It is very important to us that they are vibrant, and facilities like village shops, post offices and pubs are critical to that vibrancy.108

81. **To promote rural economic growth, we urge local authorities to take action to reassure themselves that businesses in their area are in receipt of all of the business rate reliefs for which they are eligible. We accept that there is a squeeze on local authorities’ finances but we urge them to make as much use of the discretionary element of rural rate relief as possible to support those rural businesses critical to the vibrancy of rural life.**

82. In his March 2013 Report *No stone unturned: in pursuit of growth*, Lord Heseltine recommended local authorities publish the list of all businesses paying non-domestic rates so that chambers and other business representative bodies can identify businesses in their area and seek to draw them into the local business support infrastructure.109 Ensuring businesses are aware of the available rate reliefs must be part of the advice offered by the local business support infrastructure envisaged by Lord Heseltine. Through its rural LEP network we expect the RCPU to monitor the effectiveness of this initiative.

**Planning**

83. Planning policy is a key component in the drive to grow the rural economy. A growing economy will require more business premises either through newly built commercial space or conversion and change of use of existing redundant buildings. An over-obstructive planning system can be a brake on economic progress but a simplified system with a more flexible attitude can encourage businesses to expand and diversify. Dr Marshall put it to us that “Getting planning permissions from district councils is a source of immense frustration to many businesses operating in rural areas”.

84. The new National Planning Policy Framework (NPPF) which came into force in April 2012 is designed to help the creation of jobs and prosperity, by taking a positive approach to sustainable new development. To promote the rural economy the NPPF encourages local authorities and communities to put together plans that:

- Support the sustainable growth and expansion of all types of business and enterprise in rural areas both through the conversion of existing buildings and well designed new buildings; and

- Promote the development and diversification of agricultural and other land based rural business.110

On its publication the British Chambers of Commerce commented that the NPPF,
will be good for business as it retains the presumption in favour of sustainable development. This will go a long way to encouraging positive economic growth, while retaining the environmental safeguards that have long been part of the British planning system—not to mention providing a powerful incentive for local authorities to get local plans in place ... But before a final verdict can be delivered on the NPPF, we will have to wait to see how it is delivered on the ground.111

The Country Land and Business Association (CLA) also welcomed the planning changes that have come through the NPPF believing that they “will make it much easier for our members to diversify, expand and grow their business”.112 However, six months on from the NPPF coming into force, Dr Marshall told us that “the planning reforms have yet to bite in such a way that businesses would feel comfortable.”113 While Dr Marshall welcomed the Government’s attempts to make it easier to change the use of buildings in rural areas he raised the problem of expensive consultancy advice that businesses are often forced to acquire to get their applications for converting premises through:

it is not the cost of the application itself; it is the cost of all the associated work that goes along with it, and you get a sense of intense frustration in many areas. It does vary from place to place. Some local planning authorities have been absolutely exemplary in trying to create this sort of space, but others have not been, so we do hear worries and constraints.114

85. For businesses to have the confidence to expand they need a planning system that does not stand in the way of development without due cause. Both Cumbria and East Riding councils gave us good examples of pro-active engagement with businesses. East Riding council “funds a dedicated rural business support officer [...] in particular, they work with farmers on getting through diversification in terms of planning elements and generally give support to those small enterprises.”115 Helen Wright told us that East Riding council was “really quite receptive [of the NPPF] and pleased with its greater flexibility for the rural economy”.116 In Cumbria, Gillian Elliott described how the National Park is working very closely with developments at the pre-application stage to make sure that problems are alleviated at the earliest opportunity and that “they do not stand in the way of business.”117 Defra has included the provision of dedicated rural business advice as one of the services available within its Rural Growth Network pilots.

86. We welcome the Government’s ambition to create a simpler planning system that will support sustainable rural economic development. For it to be effective local councils must work pro-actively with local businesses that wish to expand or diversify. Councils must move away from the tick box system of the past to one where the planning officer is an adviser helping a business build its confidence and prospects. The

111 Planning magazine, what the NPPF means for growth, 5 April 2012
112 Q 413
113 Q 8
114 Q 16
115 Q 35
116 Q 87
117 Q 86
free planning advice service that has been made available to businesses in Rural Growth Networks is an excellent example of the Government listening to the concerns of business and putting policy in practice.

**Access to skills and labour**

87. Businesses in the rural economy face constraints in terms of the labour market they are able to access. Typically the rural labour market is more dispersed and lacks the range of skills available in urban areas. While some of this is down to the barrier of distance and poor transport links noted above, it can also be attributed to the rising cost of living in the countryside which is a key driver behind the migration of young people out of rural areas. Pricing young people of working age out of the countryside diminishes the pool of labour the rural economy is able to draw on and is clearly an inhibiting factor in the quest for rural economic growth. Closely linked to the high cost of living is the lack of affordable housing noted below.

**Affordability of housing**

88. Dr Adam Marshall told us that “for so many of these private-sector businesses, in areas where the public sector has often paid better, being able to get access to a workforce locally that can afford the housing locally has been a major issue. I think the housing element of this is one that we ignore at our peril”.\(^{118}\) The results of a survey of 1,000 business managers undertaken by the National Housing Federation supports Dr Marshall’s view. In the survey 78% of managers said house prices were a problem in their area and 58% said building more homes would help them recruit and retain staff.\(^{119}\) We agree that there is a desperate need to build more housing, particularly affordable housing, in rural areas—for economic as well as social reasons. We focus on housing in the next chapter of this Report.

**Lack of finance**

89. Confidence is slowly returning to small businesses but the lack of access to finance remains a significant barrier to growth.\(^{120}\) In 2012, one in five small businesses said access to finance was the main barrier to achieving growth aspirations, but in the 12 months since that survey, despite a slight increase in confidence, both the number of small businesses applying for credit and the number of applications for credit accepted by banks has fallen.\(^{121}\)

90. Since coming to power the current Government has launched several schemes aimed directly at increasing lending to businesses. These include the Enterprise Finance Guarantee Scheme, National Loan Guarantee Scheme, Project Merlin, and, more recently, Funding for Lending. There is limited evidence that the effects of the £80bn Funding for

\(^{118}\) Q 3

\(^{119}\) *Yorkshire Post*, Housing crisis blamed for stifling economy, 31 May 2013

\(^{120}\) Federation of Small Businesses, *Voice of Small Business index*, Q1 2013

\(^{121}\) Federation of Small Businesses press release, Index shows tentative signs of growing optimism among small businesses ahead of the Budget, 11 March 2013
Lending scheme are now beginning to filter through,\textsuperscript{122} however the Bank of England’s Agents’ summary of business conditions for May 2013 reported that:

\begin{quotation*}
many smaller firms without suitable collateral found their access to finance remained constrained, with little change in banks’ risk appetite reported — sometimes exhibited in protracted decision-making processes around loan applications. More generally, firms that were seeking to enter new markets reported that access to bank finance remained difficult.\textsuperscript{123}
\end{quotation*}

91. Difficulty in accessing finance is common to both rural and urban businesses but the problem can be exacerbated in rural areas owing to a scarcity of specialised personnel who are both experienced with business banking and familiar with the local economy. David Collier from the NFU told us that farmers find access to finance a particular problem when they are looking to diversify as banks are more cautious when a farmer is doing something non-agricultural where they do not have prior experience.\textsuperscript{124}

92. One consequence of the consolidation within the banking sector has been an increase in the programme of bank closures. According to the Campaign for Community Banking:

\begin{itemize}
\item The traditional Big 4 groups, which operate the bank branches in the 96% of rural and suburban communities which are dependent on only one bank, closed 178 branches in 2011 following 193 closures in 2010 and 156 in 2009.\textsuperscript{125}
\end{itemize}

Banks provide a vital service for rural communities. Their closure can leave customers having to travel many miles—such a situation impacts most on small businesses, who require support from a bank with local knowledge, and the elderly who may not be able to travel a long distance to the next available bank and are less likely to use internet and telephone banking. Many rural banks are already operating reduced hours.\textsuperscript{126}

93. The Federation of Small Businesses and our colleagues on the Treasury Committee, have both called on the Government to increase competition in the banking sector. Paul Johnson agreed with this approach but was concerned that rural areas might miss out on the benefits that increased competition may bring:

\begin{quotation*}
we advocate greater competition. It is a good thing, for example, when new entrants come into the market. I think that this Committee has something very interesting to investigate if it looks at the new challenger banks that are emerging and whether they are able to provide some of their services to businesses in rural areas as well as they are able to provide those services in urban areas, because, if you look at some of those new challenger banks that are coming together now, many of them are focusing—
\end{quotation*}

\textsuperscript{122} A sign that Funding for Lending is perhaps beginning to filter through is that the businesses that did get the finance they applied for have seen the cost fall. In Q1 almost two in five small firms (38.6\%) received interest rates of less than 4\% on the credit they were offered. This figure is up from 25\% of small businesses in the same quarter last year. At the other end of the scale, the share of firms being offered credit with interest rates of 11\% or more has fallen back to just 6.5\% of businesses, down from 17\% in Q1 2012—see Federation of Small Businesses press release, Index shows tentative signs of growing optimism among small businesses ahead of the Budget, 11 March 2013

\textsuperscript{123} Bank of England, Agents’ summary of business conditions, May 2013

\textsuperscript{124} Q 413

\textsuperscript{125} Campaign for Community Banking Services, Branch Reduction Report 2012

\textsuperscript{126} HC Deb, 21 February 2012, col 193WH
obviously, as a new and emergent business—on the biggest pool of business lending available to them, which would be in an area with bigger business concentrations.\textsuperscript{127}

94. We support calls for an increase in competition in the banking sector. One consequence of the consolidation of the banking sector has been a fall in the number of bank branches and reduced competition and choice in the sector, particularly in rural areas. The Government says it is committed to growing the rural economy but for this aspiration to be achieved rural businesses need access to finance and financial services. The current rate of bank closures in rural areas suggests that without intervention such access is going to become increasingly difficult. \textbf{The Government must ensure that provision of banking services to rural communities is included in any programme to increase competition in the banking sector.}

\textbf{A Business Bank}

95. The Government has proposed creating a Business Bank with the specific target of increasing lending to the small business market. The business bank would bring together and build upon existing government schemes aimed at supporting access to finance for businesses. The bank will have £1 billion of additional government funding, which will be managed alongside £2.9 billion of existing government commitments. Under the Government’s proposals the bank will not lend directly to or invest in businesses, instead it will work through the wholesale market to increase levels of finance. The bank is expected to be fully operational in autumn 2014.\textsuperscript{128}

96. The proposal to create a business bank has been broadly welcomed. Dr Adam Marshall considered that a business bank “could do a lot of good for businesses in urban and rural areas” but “what I would want to be sure of, for the purposes of this Committee, is that access to that route [of finance] is just as strong for businesses operating in rural areas as it would be for businesses operating in urban areas.”\textsuperscript{129} \textbf{We welcome the Government’s proposal to create a business bank to increase access to finance for small and medium sized businesses. Small businesses are the lifeblood of the countryside. In developing the business bank we urge the Government to ensure that businesses from rural areas will be able to benefit just as much from its creation as their urban counterparts.}

\textbf{Rural Economy Growth Review}

97. On 29 November 2011 as part of the Government’s drive for economic growth, Defra announced a Rural Economy Growth Review—a package of measures designed “to stimulate rural economic growth and to help rural businesses reach their full potential”.\textsuperscript{130} The package is worth £165 million and includes measures to:

- Enable rural businesses to grow and diversify

\textsuperscript{127} Q 5
\textsuperscript{128} See www.gov.uk, Making it easier to set up and grow a business—getting banks lending (as of 2 July 2013).
\textsuperscript{129} Q 4
\textsuperscript{130} Defra, \textit{Rural Economy Growth Review, November 2011}
• Support rural tourism
• Expand the food and drink sector
• Deliver green growth
• Reduce regulation on farms

Defra state that each measure “has been carefully designed to tackle a distinct barrier or opportunity that was identified by stakeholders in the course of the review.” The main barriers to growth that we outlined above (housing, transport etc) lie outside the scope of the Rural Economy Growth Review as they are being tackled at a national level.

98. The Rural Economy Growth Review was welcomed by rural stakeholders, particularly those who lamented the absence of the rural economy from the original list of Defra’s Ministerial priorities. Defra’s recognition of the importance of rural businesses beyond agriculture and tourism was also popular as the micro- and home-based enterprises that are more prevalent in rural areas have historically fallen under the radar of business support groups. There was, however, disappointment that the majority of the funding for measures announced in the Review was not additional but came from the existing Rural Development Programme for England fund (RDPE). In addition, the Rural Economy Growth Review should not be seen in Government as purely a Defra initiative. Lessons learnt from the Review must be translated into policy influence across government.

Enabling rural businesses to grow and diversify

99. Under the Rural Economy Growth Review Defra are targeting £100million of the socio-economic elements of the RDPE on growth through:

• Rural Economy Grant (up to £60 million): this scheme provides larger grants of between £25,000 and £1 million to enable a ‘game changing’ transformation of Farm, Agri-Food, Tourism and Forestry businesses and microenterprises in other high growth sectors. Businesses located in the Rural Growth Networks have preferential access to this fund (launched in February 2012);

• Farming and Forestry Improvement Scheme (up to £20 million): small grants of between £2,500 up to £25,000 to help farmers, foresters and horticultural businesses improve their competitiveness (launched on 16th November 2011); and

• Skills and Knowledge Transfer (up to £20 million): a flexible and locally targetable skills training programme to enable rural business growth (launched in August 2012).

131 Ev 115 [Defra]; Defra’s progress in implementing the measures in the Review are outlined in their written evidence to this inquiry.
132 Ev 107 [CLA]
133 Ev 128 [Professor Mark Shucksmith]
134 Ev w44 [Rural coalition], Ev 110 [ NFU]
In addition to the above Defra has also launched five pilot Rural Growth Networks at a cost of £15 million, and committed £10 million to improving rural broadband under the Rural Community Broadband Fund.

100. Defra state that the £60 million Rural Economy Grant scheme has received an “unprecedented response ... over 1,100 applications with a value of £244 million.” This confirms not only the merit of the scheme but also, as the CLA point out, that rural businesses are clearly struggling to get capital finance elsewhere.135 However, Wiltshire Council suggest that the threshold of £25,000 is too high for start-up grants—in their area they argue that “many start-up and business expansion grants are made in the region of £9,000—£11,000, with an average of £23,500, skewed by larger grants in the more prosperous eastern end of the county”.136 Wiltshire Council also suggest that in giving priority access to the scheme to areas with Rural Growth Networks, the RCPU will be under pressure to deliver this investment opportunity to all rural areas.

101. The Rural Economy Grant scheme is not additional funding for rural areas so it is difficult to judge whether it will be more effective than would have been the case under previous RDPE arrangements. However, the extent to which the scheme is over-subscribed suggests Defra has successfully targeted funding at addressing a very specific and real barrier to growth for rural businesses. When more money becomes available through the next round of Rural Development Programme the RCPU should extend the current scheme and explore whether there is a need to create an additional scheme aimed at supporting businesses that require grants of less than £25,000.

102. In our Farming in the Uplands Report we highlighted the need for schemes to support farmers wishing to diversify into other business areas and improve their agricultural, business and management skills.137 We welcome the measures under the Rural Economy Growth Review that support this purpose. While measures to make farm diversification easier are important, making the core business of farming sustainable must be the overriding objective. We welcome the redesign of the RDPE fund to provide capital grant schemes to support this objective.

**Rural Growth Networks**

103. Rural Growth Networks are pilot projects aimed at testing different mechanisms for supporting rural businesses and stimulating economic growth in rural areas. Focuses of RGNs include former service personnel, women-led enterprises, and different types of incubation hubs. Defra has created five Rural Growth Networks in total—in Swindon and Wiltshire, Durham and Northumberland, Devon and Somerset, Cumbria, and Coventry and Warwickshire—and expect the £15 million initiative to create more than 3,000 jobs and 700 businesses. The RGNs are driven by Local Enterprise Partnerships or local authorities and, according to Defra, “experience from the projects will be shared quickly with other LEPs and LAs to encourage and support them to take similar action.”138

135 Ev 107 [CLA]
136 Ev w38 [Wiltshire Council]
137 EFRA Committee, Third Report of Session 2010-12, Farming in the Uplands, HC 556, paras 80–85
104. Where Rural Growth Networks were granted to LEPs there was delay in those projects getting started. Wiltshire Council told us that “By charging the project to the LEP there has had to be a close relationship built between the LEP and local authorities, since the LEP is reliant on the local authorities to implement and deliver the project. It has few resources of its own, and no team of capable officers to make the investments or develop the services.”\textsuperscript{139} Considering Defra were keen for Rural Growth Networks to make a difference quickly, charging their development to Local Enterprise Partnerships which lacked the capacity to do this work, caused delay to the project that could and should have been avoided. Aside from delay in the roll-out of the RGNs, both in terms of provision of funding and allocation of resources,\textsuperscript{140} the evidence we have received from authorities with RGNs has been very positive. Early estimates from Northumberland were of 40 new businesses created, 200 businesses supported and 300 jobs safeguarded/created.\textsuperscript{141} Wiltshire Council told us:

The RCPU understood our case to support the large numbers of service personnel and dependants based in the county, as well as encouragement of women entrepreneurs. Our RGN will bring forward a range of business incubation centres, much needed workspaces and business skills support (which have traditionally proved difficult to develop and deliver in rural areas) to support the target groups. To a large extent, it is clear the RCPU understand rural economic issues related to growth, job creation and the need to build a resilient low carbon economic base for the future.\textsuperscript{142}

105. Rural Growth Networks are small in scope and many more will be needed to make a significant difference to the rural economy. The Minister for Rural Affairs admitted that he would “love to roll [RGNs] out more widely” but “funding is a limiting factor.”\textsuperscript{143} We strongly support the Rural Growth Network initiative. We are impressed by the RCPU’s understanding of the rural economy and their strategy to target areas which present both different challenges to address and different opportunities to exploit. This was well considered and the insistence of robust business planning at the outset demonstrates welcome attention to value for money. The key to the success of RGNs will be how the benefits realised in the pilot areas can be translated to other rural areas particularly as funding is tight. The Minister told us there may be the chance of further networks in the future. We hope there will be and suggest that the Government should consider creating a Rural Growth Network that has supporting young people who face specific barriers to employment, education and training, as its focus.

\textsuperscript{139} Ev w38 [Wiltshire Council]
\textsuperscript{140} Q 89, and Q 41
\textsuperscript{141} Ev w30 [Northumberland County Council]
\textsuperscript{142} Ev w38 [Wiltshire Council]
\textsuperscript{143} Qq 87-88
Supporting tourism

106. Under the Rural Economy Growth Review Defra announced that it would support rural tourism in England through a £25 million package of measures.\textsuperscript{144} Defra claim the package will prioritise support at both rural upland and Rural Growth Network areas and will generate “at least £110m in new visitor expenditure, and create 3,000 new jobs”.\textsuperscript{145} We asked Tony Gates, from the National Parks, whether such a claim was realistic:

I think it is not unrealistic. The evidence from various economic strategies across the country, including the Northumberland economic strategy, would show that tourism is the single area of the economy with the greatest growth potential within the county. So, certainly in terms of my own county, I would suggest that that is not unrealistic. If we look at the economic contribution within National Parks and the areas influenced by National Parks, we are talking in the region of £6 billion, which is a significant economic impact.\textsuperscript{146}

107. Herefordshire council agree that tourism has “clear potential as one of the fastest growing sectors in the rural economy”.\textsuperscript{147} For the growth potential of tourism to be realised it is crucial that high-speed broadband is rolled out to rural areas. According to VisitEngland, in 2011 70\% of domestic holiday bookings were made online but just 28\% of campsites and caravan parks are bookable online. Rural businesses without a decent broadband connection are having to rely on the shrinking market of ‘offline’ bookings and are clearly at a disadvantage.\textsuperscript{148} We are concerned that the Government’s roll-out of superfast broadband and the increase in the mobile phone coverage envisaged through the Mobile Infrastructure Project will not extend to those rural areas which have the most potential to generate new visitor expenditure. Not only will this inhibit growth but businesses in those areas will continue to lose market share to better connected rivals.

108. Defra is responsible for access to the countryside and for overseeing our National Parks and Areas of Outstanding Natural Beauty. In 2008 Defra published a Diversity Action Plan,\textsuperscript{149} which aimed to encourage a greater diversity of people using the countryside and rural areas, thereby helping the rural economy. The Diversity Action Plan had two targets:

- to increase awareness by under-represented groups of what the natural environment has to offer and where to go to enjoy it; and

- to increase the number, diversity and frequency of people in under-represented groups enjoying the natural environment.

\textsuperscript{144} Full details of the measures can be found in the Defra document REGR: Rural Tourism Package—Main Points, March 2012
\textsuperscript{145} Defra, Rural Economy Growth Review, November 2011
\textsuperscript{146} Q 410
\textsuperscript{147} Ev w4 [Herefordshire Council]
\textsuperscript{148} Ev w56 [Pitchup.com]
\textsuperscript{149} Ev w51 [Involve Yorkshire and Humber]; Defra, Outdoors for all?, 2008
109. In response to this report Defra must set out what steps it is taking under the measures set out in the Rural Economy Growth Review to increase the number of people from under-represented groups who access the natural environment.

110. The Natural Environment White Paper says “a healthy, properly functioning natural environment is the foundation of sustained economic growth, prospering communities and personal wellbeing”. Tourism is worth £29 billion to the rural economy. It is important that the drive to generate new growth through the investment outlined in the growth review and the relaxation in planning laws under the NPPF does not come at the expense of the integrity of the natural environment. Across government the RCPU must be as strong an advocate for the protection of our rural landscapes, which after all are a key driver for rural tourism, as it is for growing the rural economy.

Local Enterprise Partnerships

111. Local Enterprise Partnerships (LEPs) are responsible for the distribution of regional development money. From 2015, LEPs will be able to access £2 billion a year of central government funding under a new Single Local Growth Fund. The Single Local Growth Fund brings together a number a separate funding streams such as the £400 million New Homes Bonus which LEPs will be able to use to support strategic housing and economic development priorities. Between 2014-20 €6.2 billion (£5.3 billion) of EU Structural and Investment Funds will also be allocated to LEPs across England.

112. LEPs are partnerships between local authorities and businesses and have the power to decide what the priorities should be for investment in roads, buildings and facilities in their area. There are 39 Local Enterprise Partnerships in England and almost all of them have rural areas within their boundaries. How well the interests of those rural areas are recognised by the LEPs is a matter of debate. In our 2011 Report, Farming in the Uplands, we concluded that, “some Local Enterprise Partnerships (LEPs), that cover rural areas, appear to lack interest in, and knowledge about, rural issues.” Two years on from our Report there remains concern amongst some rural organisations that the LEP model is too urban-centric. According to the CLA, of the 39 LEPs only eight explicitly recognise or refer to rural areas in their objectives. Inevitably this can lead to the interests of rural areas coming lower down the LEPs agenda. Helen Wright confirmed there is a concern that rural areas that do not have Rural Growth Networks—in particular rural areas that are part of a hinterland to urban-based LEPs—are going to fall through the gap on

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151 Investing in Britain’s future states that LEPs will have strategic influence over at least £20 billion of resources in the years to 2021.
152 Local Enterprise Partnerships (LEPs) were set up to replace Regional Development Agencies as a new means of distributing hundreds of millions of pounds of regional development money. They work in partnership with local authorities and local chambers of commerce and are intended to be a more locally responsive model than the former RDAs. Their boundaries are intended to reflect natural economic areas and they decide what the priorities should be for investment in roads, buildings and facilities in the area.
153 EFRA Committee, Third Report of Session 2010-12, Farming in the Uplands, HC 556, para 113
154 Ev v12 [Commission for Rural Communities]
155 Ev 104 [CLA]
funding issues. [...] We have a Humber LEP, as well as the North Yorkshire one, which is estuary based. There is a big danger that, if we are unable to access RDPE monies and perhaps the Regional Growth Fund, rural areas could suffer. I am not saying they will, but they could do.\[156\]

The introduction of City Deals could cause LEPs to increase further their focus on urban areas at the expense of rural communities.

113. LEP boundaries are intended to represent natural economic areas but the evidence we heard suggests these functional areas do not always exist in rural territories. Several witnesses attribute this fault to Defra. Not only did Defra struggle to make “a clear case on appropriate geography”\[157\] but they took “insufficient interest when LEPs were first being set up, so rural activity was not identified at that stage as a criterion for the approval of the LEP, leaving rural areas left behind”.\[158\] Defra does facilitate a regular Roundtable for LEPs to discuss, among other policy issues, the rural economy: “It provides an open and frank forum for exchange of views and experience amongst the LEPs and with policy makers.”\[159\]

114. In the previous section we detailed how the creation of a Rural Growth Network was delayed because it had been granted to a LEP which “had few resources of its own, and no team of capable officers to make the investments or develop the services.” From the moment of their creation LEPs have been severely resource constrained. David Frost of the LEP Network considered that “the pendulum had swung too far from the funding of RDAs. LEPs had nothing and were either reliant on goodwill from business or importantly the public sector, if they were to get anything done.”\[160\] The Government have responded to this criticism by providing funding of £250,000 to each LEP for two financial years. While we welcome the light-touch administration it is unclear how LEPs will be funded after this two-year period.

115. The LEP structure is new and it is too early to say whether it will be successful or not but without clear long-term support it is difficult to see how they can build up sufficient expertise to use regional funding effectively. There is also a fundamental issue about accountability—LEPs are not fully locally accountable. \textit{It is important that the Government puts in place safeguards to ensure that LEPs’ focus and funding is of benefit to all parts of the country, not just urban areas. Their performance must be measurable and clear to the communities they serve. The RCPU should lead on this work and in response to this Report set out how it will make sure that the work of LEPs is robustly rural proofed.}\[160\]

116. We are not convinced that rural areas are adequately represented within LEP hierarchies. While some LEPs do have board members with a rural background and some have rural sub-groups, many do not. Such rural representation should not be limited to typical rural industries of agriculture and tourism—the rural economy is much broader

\[156\] Q 43
\[157\] Ev w38 [Wiltshire Council]
\[158\] Ev w12 [Commission for Rural Communities]
\[159\] Ev 115 [Defra]
\[160\] The Smith Institute, Where next for Local Enterprise Partnerships?, June 2013
than this and its representation within LEPs must reflect both the range of industries that make up the rural economy and the size of businesses. We are concerned that micro- and small businesses characteristic of rural areas might be overlooked by the LEP structure, Defra must work with BIS to ensure this is not the case by advocating a closer working relationship between LEPs and their local rural and farming network. Defra also need to ensure that there is no disconnect between the work of LEPs and other rural bodies that have a role in economic development such as AONBs, local action groups, community councils and Local Nature Partnerships. Finally, the RCPU, through its LEP roundtables, must be a strong advocate not just for the rural economy but for the social and environmental needs of rural communities as well.
5 Housing

Affordability

117. In the previous chapter we noted that lack of affordable housing can be a brake on economic growth. Between 2001 and 2011 house prices rose by 94%; during the same period wages rose by just 29%, making buying a home increasingly beyond people’s means.\textsuperscript{161} Ensuring the availability of affordable housing is an issue common to both rural and urban areas but the problem is exacerbated in rural areas, particularly the National Parks, which account for some of most unaffordable places to live in England.\textsuperscript{162} On average people working in rural areas earn less than those working in urban areas and rural homes are more expensive than urban ones.\textsuperscript{163}

Chart 1: Average house prices, Q1/2005 to Q1/2013

Source: Land Registry Price Paid Data / Defra

118. The cost of living is also rising faster in rural areas than in their urban counterparts. The 2012 Countryside Living Index found that inflation over the previous year stood at 7.7% compared to the national CPI average of 4.3%. During that period the average rural dweller spent £2,000 a year more on essential goods such as vehicle and domestic fuel, food and home maintenance—£5,992 compared to the UK average of £3,986.\textsuperscript{164}

\textsuperscript{161} National Housing Federation press release, House prices rise three times as much as incomes over ten years, 16 August 2012; National Housing Federation research found that in 2001 the average price of a home was £121,769, and the average salary was £16,557. In the space of ten years the price of a home has risen to £236,518—an increase of 94%—whereas wages have risen just 29% to £21,330, making buying a home increasingly unaffordable for millions of workers.

\textsuperscript{162} According to National Parks England, the average house price in Exmoor is now 14 times greater than the average income, on the North York Moors it is 13 times greater. In Yorkshire and Humberside the average rural house price is now 10.3 times the average salary compared to 7.9 in urban areas.

\textsuperscript{163} Defra’s statistical digest of rural England states that housing affordability is lower in predominantly rural areas than predominantly urban areas. In 2011, the average lower quartile house price was 7.8 times the average lower quartile earnings in predominantly rural areas. This compares with 7.1 in predominantly urban areas and 7.3 in England as a whole. In 2008, the Matthew Taylor review of the rural economy and affordable housing, Living Working Countryside, found that while people working in rural areas tend to earn significantly less than those working in urban areas, rural homes are more expensive than urban homes.

\textsuperscript{164} Farmers Guardian, Cost of living in countryside rises twice as fast as cities, 3 July 2012
119. Workers in industries typical of rural areas such as tourism and agriculture are traditionally low paid. Gillian Elliott told us that “in areas like Eden and South Lakeland, we are talking about it costing people seven times the average to get deposits down on properties. In our rural area, tourism is vital as the main employment and it is a low wage sector”. Against this backdrop, migration from urban areas and an increasing shortage of homes are causing house prices to rise further—fewer homes are being built in England today than at any time since the 1920s—just over 100,000 a year compared to a projected requirement for 240,000. The problem is not confined just to the private sector, there is also a shortage of social housing. In 2011-12 the amount of social housing created in England fell for the first time since 2006-07. There are currently 1.8 million households on waiting lists for social housing. While the proportion of social housing has decreased in all areas, the sharpest decline has been in rural England.

120. Failure to address these problems will have grave consequences for rural communities. If young people are priced out of rural areas then the available pool of labour for the local economy and service sector will diminish. Alongside this, demand for services such as schools, shops and pubs will also decrease making their existence less viable. As Graham Biggs MBE, Chief Executive, Rural Services Network, told us, “unless you have some affordable housing breathing new life back into the village, there is only one alternative to that and that is the village will slowly die. Having lost it, you will not get it back”. It is imperative that we build more homes in our rural areas. Failure to do so will undermine the future sustainability of our rural communities.

121. Councillor House told us that one solution could lie in the hands of the Treasury: “prudential borrowing is encouraged by the Treasury for all other aspects of local infrastructure, but not for housing”, and “local authorities having full use of prudential borrowing powers to invest in housing, rather than the cap imposed by the Treasury could, broadly speaking, wipe out the problem of housing supply over the course of a Parliament of two”. We urge the Government to consider whether local authorities should be allowed to invest in housing under normal borrowing guidelines. If the Government opposes this suggestion it must set out why.

Housing as a ministerial priority

122. Defra has recognised the social and economic importance of affordable housing for rural communities and made addressing them a ministerial priority. In the Rural

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165 Q 2
166 HC Deb, 5 September 2012, col 310; The problem is not a new one. In her Review of Housing in 2004, Kate Barker called for an extra 100,000 homes a year. At that time housing completions were around 160,000 a year. In the years following the Review housing completions fell by 50,000. Even before the banking crisis supply was not keeping up with demand. In the 12 months to March 2013 the number of housing starts fell by 3% according to DCLG figures.
167 See https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2
168 In 1980, 25% of the housing stock in rural areas was social housing compared to 36% in urban areas. By 2007, these figures had declined to 13% and 21% respectively, Source: Living, Working Countryside: The Taylor Review of Rural Economy and Affordable Housing, 2008
169 National Housing Federation, Affordable Rural Housing: A practical guide for parish councils, October 2010
170 Q 59
171 Q 35 and Q 76
Statement, Defra list a number of measures the Government is taking that, while not specifically targeted at rural areas, they consider will help address the problem of lack of supply of affordable housing. Measures include delivering affordable homes through the Affordable Homes Programme, simplifying the planning system under the National Planning Policy Framework, bringing empty properties into use, and introducing neighbourhood-led planning. In addition to these, in September 2012 the Government announced a series of additional measures aimed at stimulating house building in the UK—parts of which were later enacted through the Growth and Infrastructure Act. We discuss some of these measures and their potential impact on rural communities below.

**Affordable Homes Programme**

123. Under the Affordable Homes Programme, the Homes and Communities Agency (HCA) is allocating £1.8 billion to deliver up to 80,000 new homes for Affordable Rent and Affordable Ownership by 2015. From 2015 some £3.3 billion will be available for the construction of a further 165,000 houses. Successful bidders under the programme are required to re-let a proportion of their existing stock at an ‘affordable rent’, set at up to 80% of local market rent, and use the additional revenue from this higher rent to supplement the grant they have received from the HCA. The majority of new homes built under the programme will also be let at Affordable Rent.172

124. The Affordable Homes Programme model requires the Government to pay less grant per home than under previous schemes—£20,000 compared with £60,000 under the previous National Affordable Housing Programme—while housing providers borrow more and can charge higher rents. The National Audit Office noted that:

> The new scheme represents a reduction of 60 per cent in average annual spending on affordable homes over the four years of the Programme from 2011-12 to 2014-15, when compared to the three years up to March 2011. The Programme will increase providers’ financial exposure, with the sector facing challenges in securing bank financing for capital investment and over the cost of supporting both future and existing debt.173

According to the NAO, under the AHP providers have to spend some £12 billion on new homes of which the government funding is £1.8 billion. The NAO estimate providers will have to borrow around £6 billion, the remaining £4 billion comes from ‘additional sources’. Additional sources may include converting existing properties from social rent to the higher affordable rent and property sales ‘principally through shared ownership’. While this latter step will mean more people are able to get on the property ladder it will remove housing from the pool available for social rent.174

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173 National Audit Office, Financial viability of the social housing sector: introducing the Affordable Homes Programme, HC 465, Session 2012-13
174 Ibid.
125. There are 1.8 million households on waiting lists for social housing and over 53,000 of these are currently living in temporary accommodation such as b&bs and hostels.\textsuperscript{175} The picture below shows how rural areas such as the southwest are among those with the highest numbers of households in temporary accommodation.

\textbf{Chart 2: Households in temporary accommodation (September 2010) per 1,000 households, by local authority area}\textsuperscript{176}

\begin{itemize}
  \item 1.4 to 34.1
  \item 0.6 to 1.4
  \item 0.4 to 0.6
  \item 0.2 to 0.4
  \item 0 to 0.2
\end{itemize}

\textsuperscript{175} House of Commons Library Standard Note, Homeless households in temporary accommodation, 12 June 2013

126. The Taylor Review in 2008 found that smaller rural communities (under 3,000 people) were where the “challenges of unaffordable homes, low wages and declining services are at their greatest”.177 There are over 16,000 such settlements in England with a combined population of close to six million people.178 The Government have recognised the challenges faced by small villages and hamlets and, as Defra state in their evidence to us, these settlements account for almost 10% of the Affordable Homes Programme outside London (8,000 homes).179 The largest provision of homes is going to Cornwall (548 homes) which has a high number of people living in temporary accommodation.180 Sue Chalkley, Chief Executive, Hastoe Housing Association, told us she was concerned that the Affordable Homes Programme might not deliver the 10% of homes to rural areas that it had committed to:

a number of non-specialist rural housing associations said that they were going to develop rural but are now finding it a bit more complicated than they thought and they are substituting those schemes with urban schemes [...] there is no particular imperative to deliver the proportion of rural that was originally in the programme, we may not even achieve the 9% that was there originally.181

This concern is supported by the National Audit Office who, in their report into the AHP, noted that “some 51 per cent of schemes are indicative, because they have not been identified, are not sufficiently progressed, or do not yet have planning permission [...] schemes that are planned for late delivery are more likely to be provisional and are therefore inherently more uncertain.”182

127. We welcome that under the Affordable Homes Programme for the period up to 2015 some 10% of approved bids are for homes in those rural settlements identified by the Taylor Review as most in need of affordable housing. However, we are concerned the scheme does not go far enough. The problem of lack of affordable housing in some rural areas is so acute that we do not believe that the Affordable Homes Programme up to 2015, which aims to develop 8,000 homes among 16,000 rural communities, will be sufficient in scope to make a meaningful impact, particularly in those areas with the highest numbers of households in temporary accommodation such as the southwest of England. The Government has allocated a further £3.3 billion to the Affordable Homes Programme from 2015 onwards—we expect a larger proportion of this money to be spent in rural areas than has happened in the current spending round.

128. Furthermore, we are concerned to learn that while 10% of approved bids under the Affordable Homes Programme are for affordable homes in smaller rural settlements there is no target or imperative to ensure that this proportion is actually delivered. We expect the

177 Living, Working Countryside: The Taylor Review of Rural Economy and Affordable Housing, 2008
178 Defra, Rural Affordable Housing Project: Final Report, July 2010
179 Ev 115 [Defra]
180 Homes and communities Agency, 2011-15 AHP funding by minimum geography area as at end of December 2012; In 2010-11 Cornwall had 421 households in temporary accommodation, 125 of which were in bed and breakfast. accommodation, source http://www.swo.org.uk/local-profiles/cornwall/.
181 Q 60
182 National Audit Office, Financial viability of the social housing sector: introducing the Affordable Homes Programme, HC 465, Session 2012-13
Rural Communities Policy Unit to monitor the progress of the Affordable Homes Programme and work with the Homes and Communities Agency to ensure a minimum of 10% of homes built under this Programme are in those rural settlements identified in the Taylor Review as most in need. We expect to hold Defra to account should the proportion fall below the 10% threshold.

**Affordable Rent Model**

129. The introduction of the Affordable Rent model has the potential to raise funding to finance new homes but for rural areas it also raises many concerns.\(^{183}\) Under the Affordable Rent model rents are tagged at up to 80% market rent, much higher than social rents which, set by government formula, are typically around 40% market rent (although higher in some areas).\(^{184}\) Graham Biggs considered that for “rural workers working in the rural economy that 80% will take [houses] outside of affordability in a lot of cases” or, as Sue Chalkley pointed out, move “them on to partial housing benefit”.\(^{185}\) Indeed, the impact assessment on affordable rent states that over 30 years housing benefit expenditure may increase by between £454 million and £603m as a result of the scheme.\(^{186}\) The increasing unaffordability of privately rented accommodation is already reflected in an increase of half a million people claiming housing benefit over the last three years. In rural areas where market rents are low there is also the risk that the difference in rent between the social and private rented sector is too narrow to generate sufficient funding to compensate for the reduced government grant.

130. The Affordable Rent policy which increases rents on the least well off in society in order to compensate for a marked reduction in funding from central government is one which gives us concern, particularly for rural areas where the cost of living is already high. Affordable rents, tagged at up to 80% of market rent, means homes will remain unaffordable to many rural workers. The RCPU has a crucial role in monitoring the outcome of the affordable rent model in rural areas and must seek amendment to the policy if it is found to be failing to assist those in rural housing need.

**Right to Buy**

131. In November 2011 the Government published for consultation *Laying the foundations: A housing strategy for England* which outlined a number of measures to be introduced by the Government to stimulate the housing market. One of the measures, which came into force in April 2012, was an increase in the ability for social tenants to buy their own homes. The reinvigorated Right to Buy scheme offers eligible tenants discounts of £75,000 off the value of their home. Under the scheme up to two million social tenants may be able to buy their own home and there is clearly enthusiasm among them to take advantage of the scheme—the number of homes sold between April 2012 and March 2013 under Right to Buy totalled 5,942, more than double the number sold in the previous year.
and the highest number of sales since 2007.\textsuperscript{187} The Government is anticipating 100,000 homes will be sold by 2019.

132. Under the scheme homes sold under Right to Buy should be replaced on a one-for-one basis but there is scepticism that this is achievable. The Chartered Institute for Housing raised concerns during the consultation period that under the fixed discount policy the government’s claim that it can provide one new affordable rent home for each council house sold “will be difficult to maintain”.\textsuperscript{188} The LGA supported this view arguing that the centralised cap of £75,000 failed to take into account local housing demand and the cost of building new homes: “the level of discount may not leave enough funds to build a replacement home, some areas in need of more affordable homes may actually be left with fewer”.\textsuperscript{189} In addition, one-for-one does not mean like-for-like—a three bedroom house need only be replaced by a one-bedroom flat for the conditions of the scheme to be satisfied and new houses may also be subject to the affordable rent model.

133. In its response to the 2011 consultation the English National Parks Authorities Association (now known as National Parks England) raised concerns that an increased take up in Right to Buy would significantly hinder the ability of National Park Authorities to meet the affordable housing needs of local communities:

> Even if the Right to Buy did not remove local occupancy restrictions, it risks removing an important element of housing stock that cannot be replaced without further new housing development is necessarily restricted in areas of high landscape value such as National Parks.

> The Lake District National Park have confirmed that in total 1,000 existing affordable homes within the National Park which could be lost from the affordable housing stock if the proposed Right to Buy reforms take place.\textsuperscript{190}

In its response to the consultation the Government replied that it “is not minded to add National Parks to the list of exemptions of Right to Buy, which would require changes to primary legislation. However, we welcome additional evidence of any impacts that the changes to Right to Buy have on affordable housing levels in National Parks”\textsuperscript{191}.

134. We support giving more people the opportunity to own their own home. The Government’s Right to Buy scheme has the potential to make owning a home a reality for thousands of people. However, like our colleagues on the Communities and Local Government Committee, we are concerned that it may come at a cost to the amount of affordable housing available in some rural areas where supply is already limited. The Government’s scheme is for houses to be replaced on a one-for-one basis at a national level. This means rural areas such as National Parks, where land for new housing is in short

\begin{footnotesize}
187 Department for Communities and Local Government press release, Aspiring tenants behind right to buy surge, 16 May 2013

188 Chartered Institute of Housing, Right to Buy Reform—England, 17 April 2013, available at www.cih.co.uk

189 House of Commons Library Standard Note, Reforming the right to buy in 2012 and 2013, 5 April 2013

190 English National Parks Authorities Association, Reinvigorating the right to buy and one for one replacement: response from ENPAA, February 2012 available at http://www.nationalparks.gov.uk

191 Department for Communities and Local Government, Reinvigorating the right to buy and one for one replacement: information for local authorities, March 2012
\end{footnotesize}
supply or expensive, may find that they benefit little from the Government’s promise of one-for-one replacement. We have already commented on the problem of affordable housing in National Parks, though the impact of Right to Buy is by no means limited to them, further reductions in affordable housing stock are not acceptable. The RCPU must monitor the impact of Right to Buy on rural areas, particularly National Parks, and if necessary put the case for them to be exempt from this scheme.

**Welfare Reform Act 2012: under-occupancy**

135. From 1 April 2013, working-age social tenants in receipt of housing benefit experienced a reduction in their benefit entitlement if they lived in housing that is deemed to be too large for their needs. Enacted under the Welfare Reform Act 2012, this policy has become better known as the ‘bedroom tax’ or ‘spare room subsidy’. Under this policy affected tenants faced a reduction in their eligible rent for housing benefit purposes of 14% for one spare bedroom and 25% where there were two or more spare bedrooms. Under the terms of the policy children under ten were expected to share a bedroom regardless of gender and children of 15 or under of the same gender expected to share a bedroom.

136. Social housing tenants have traditionally enjoyed security of tenure over a long period regardless of any changes in their accommodation needs. In a bid to redistribute housing stock more fairly the Government’s Welfare Reform Act 2012 challenges tenants who ‘under-occupy’ to pay more or move. This is a problem for rural areas which tend to have a small social housing stock, comprised of more larger homes. As rural areas typically have few available social homes nearby, tenants could be asked to move greater distances away from friends, family and schools.192 As Councillor House, told us

> Typically, a physically large rural district with a small population and a small stock has not got the flexibility to deliver. For example, there is an issue where a resident is in a three-bedroom property yet may fill a vital role in the local economy. Their loss of housing benefit, because of under-occupancy, is going to force them to move. Where they can be moved to, in reality, is an unanswered question for many of these people. I am sure you have all got casework of examples yourselves in your communities, be they rural or urban, but they are by definition more acute in rural areas, where that flexibility is much lower.193

Sue Chalkley also pointed out that the under-occupancy policy may prevent councils from looking to the future,

> We have a policy of, where we have a young family, allowing them a spare bedroom so that they can grow into their home, because there will be nowhere else for them to live—those eight, perhaps, homes in that village are the only affordable homes. We will not, potentially, be able to do that in future.194

Under the policy a family with two children, a girl and a boy both aged 8, will be housed in a two-bedroom house. Once one of the children reaches 10, the family would be moved to

192 Ev 98 [Rural Services Network]
193 Q 5
194 Q 269
a three-bedroom house. The lack of available housing in rural areas could mean the family leaving the area and the children moving schools. RICS argue that under-occupation penalties should not apply where affected tenants are unlikely to secure another home in the ‘travel to work’ area. We would add ‘travel to school’ area to their argument. RICS note that the Right to Acquire (the ability for housing association tenants to acquire their homes) does not apply to settlements of less than 3,000 people and argue this same exclusion should apply to the rules on under-occupation.195

137. We agree with the Rural Services Network that the impact of the under-occupancy policy on rural areas needs careful monitoring. Rural areas may be disproportionately affected because the nature of the housing stock means spare rooms might be more common. The under-occupancy policy also risks disadvantaging rural communities further because they lack the range and quantity of social housing required to provide the flexible response the policy demands. It is difficult to see how the under-occupancy policy, which might cause key workers to leave areas where they perform a vital role, and force children to move schools, is of benefit to rural communities. Settlements of fewer than 3,000 people, the same threshold as the Right to Acquire scheme, should be excluded from the under-occupancy policy.

Planning and development

138. There is a shortage of housing across England. Estimated demand is for 240,000 new homes every year. We are currently building less than half of that. The problem of lack of available housing in rural areas has been repeated in successive reports from the work of Elinor Goodman’s Affordable Rural Housing Commission in 2006, Matthew Taylor’s 2008 Living, Working Countryside and in the work of the Commission for Rural Communities, yet the situation remains acute.196 The Government has taken a number of steps to address the problem of lack of supply through simplifying planning rules first under the National Planning and Policy Framework and later under the Growth and Infrastructure Act.

139. In our Farming in the Uplands Report we recommended that Defra work with the Department for Communities and Local Government to ensure the new planning framework has a flexible and less restrictive approach to planning in rural areas.197 The National Planning Policy Framework (NPPF) was published in March 2012. The Government states that the NPPF “has simplified the overly complex planning processes and introduced a new, more flexible and positive approach to planning, making it more transparent for local rural communities to be involved in advancing developments that best suit their needs”.198 The CPRE considered the initial draft of the NPPF to be fundamentally flawed, particularly the rural affordable housing element but “while the final policy is not perfect, improvements have been made, and the CPRE has no reason not to believe that the RCPU’s influence contributed to this”.199

195 RICS, More good homes and a better United Kingdom, June 2013
196 Ev w55 [James Derounian]
197 EFRA Committee, Third Report of Session 2010-12, Farming in the Uplands, HC 556, para 1102
198 Defra, Rural Statement, September 2012
199 Ev 96 [CPRE]
Rural Exception Sites

140. One way the NPPF supports rural housing is through the inclusion of a rural exceptions policy which allows for an element of market housing to be included on rural exception sites where this facilitates the development of affordable rural housing (known as cross-subsidy). An exception site is one that would not usually secure planning permission for housing, such as agricultural land next to but not within a local settlement area. Under the rural exception sites scheme a landowner will provide land at below market rate (commonly at enhanced agricultural value) on the basis that that land is being made available to build affordable homes for local people. We welcome the work undertaken by the RCPU to ensure that a sensitive approach to cross-subsidy on rural exception sites was included in the final NPPF.200

141. Sue Chalkley considered rural exception sites the “real key to unlocking and responding to rural communities because they feel safe with the exception site policy”:

> It has been a very successful policy from the point of view of responding to individual rural communities and the families ... we have had two or three open market sales on a scheme where there has not been grant, so that we can cross-subsidise and make the scheme work. It has to be managed very sensitively, because if it goes a little bit too far then you do get the hope value and you do get landowners looking to raise more.201

142. Proposals brought forward under the Growth and Infrastructure Bill would have permitted developers to renegotiate rural exception site agreements to allow a greater proportion of market housing than desired by the local community. By allowing a reduction in the number of affordable homes built on a site, this measure would have been severely detrimental to rural communities, particularly those with a limited supply of land and high house prices, such as National Parks. While we welcome the Government’s amendment to the Bill to exclude rural exception sites from this measure, the need for the amendment does suggest to us a failure of rural proofing of the original Bill. The Growth and Infrastructure Act also integrates town and village green registration mechanisms with the planning system. We welcome the measures aimed at preventing vexatious applications for a town and village green. Such applications can be demoralising for a community trying to provide affordable housing, are costly to process, and can disincentivise landowners from making land available for rural exception sites.

143. Rural exception sites are not going to provide all the affordable housing that rural areas require. John Slaughter, Director of External Affairs, Home Builders Federation, told us that the policy was never “going to deliver enough to meet the scale of need” but he questioned whether “it has delivered as much as it should do”.202 The Minister concurred, “I do not think we should kid ourselves that exception site housing is going to resolve the shortage of affordable housing. That will come through a renaissance of house-building, which is a cross-Government agenda”.

200 Ev w32 [ACRE]
201 Q 257
202 Q 56 and Q 47
144. Rural exception sites are a key means of providing affordable homes in rural areas. They can unlock land for development, particularly for affordable housing for local people, and are popular within communities. It is therefore welcome that the Government exempted rural exception sites from the provisions of the Growth and Infrastructure Bill that would have jeopardised their future. That they were ever threatened does suggest to us a failure of the Bill to be effectively rural proofed.

145. The importance of rural exception sites to rural areas should be reflected in national housing policy. They are not going to solve the problem of lack of housing in rural areas on their own, but we wish to see the RCPU work with Department for Communities and Local Government and local councils to explore whether more homes might be made available under such schemes.

**Neighbourhood Planning**

146. The Localism Act 2011 introduced new powers that allow communities to shape new development in their local areas by preparing Neighbourhood Plans or Neighbourhood Development Orders. Under the powers, which came into effect in April 2012, communities are able to have a say where they want new homes, shops and offices to be built; have their say on what those new buildings should look like; decide which green spaces should be protected; or grant planning permission for the new buildings they want to see through a new Neighbourhood Development Order.\(^{203}\) While neighbourhood plans allow local people to get the type of development that is right for their community, the plans must still have regard to national policies and take into account the local council’s assessment of housing and other development needs in the area. To prevent them becoming a ‘Nimby’s charter’ they will only be able to specify a greater or equal number of homes to those proposed in the local development plan for the area. The Government hopes that by getting communities involved in the early stage of the planning process and by giving them the opportunity to shape new development, that development is more likely to be approved.

147. Putting together a neighbourhood plan is not cheap. The DCLG estimates that the average cost of drawing up a neighbourhood plan is between £17,000 and £63,000. To support this process the Government is making available grants of up to £7,000 to communities to help them draw up their plans. Neighbourhood planning will usually be led by the local parish or town council.\(^{204}\) The local planning authority must also provide support—for example, it will organise the independent examination of the neighbourhood development plan to check the plan meets certain minimum conditions. In the vast majority of cases, it will also be the local planning authority which will pay for and run the neighbourhood planning referendum.

148. Neighbourhood planning has the potential to deliver development that communities want. As Graham Biggs told us:

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203 A neighbourhood development order allows the community to grant planning permission for development that complies with the order. This removes the need for a planning application to be submitted to the local authority.

204 In areas without a parish or town council, communities are encouraged to form ‘neighbourhood forums’. 
Many of you in your constituencies will have had the experience of pretty much everybody in a village supporting the concept of affordable housing and then being opposed to it when a site is identified. I think neighbourhood planning has the opportunity of having that negotiation with the community much, much earlier in the process and an understanding that will lead to better outcomes. Certainly we have done surveys of our members and there is a lot of hope out there for the new system.\textsuperscript{205}

It will be a big step forward if neighbourhood planning enables communities to have a say over the appearance and quality of development in their area. The Minister for Rural Affairs gave us an example of how, in the past, communities could put together a design plan “saying, ‘If we are going to have more houses, we want them to look like this. We want them to be in keeping with the character of the village and have these kinds of features.’ After a few challenges from a few developers, their status as supplementary planning guidance was removed.”\textsuperscript{206} A system that encourages a more constructive dialogue at local level and gives communities a say over the type, design and build quality of new housing, as opposed to one that forces on them the ‘ugly estates’ described by the housing minister,\textsuperscript{207} will increase the likelihood of communities approving development. This is an objective worth pursuing.

149. It is too soon to say whether neighbourhood planning is going to be successful in delivering more and better housing—only three plans have so far been approved by their communities—but what is clear is that ongoing support to communities is crucial if the mood of optimism amongst communities identified by the Rural Services Network is to be capitalised on. Many communities lack the capacity, expertise and finance to deliver neighbourhood plans and the range of other community-led initiatives the Government is promoting such as the Community Rights to Bid, to Build and to Challenge. It would be unfortunate if the Government’s devolution of responsibility to local communities led to the unintended consequence of increasing inequality within the countryside as those areas with the capacity and expertise transform their villages while others who lack the ability to act get left behind.

150. Defra told us that a rural support network already exists: “the Rural Community Action Network, the network of 38 rural community councils, and ACRE, which is its managing body, has a great deal of expertise on neighbourhood planning”. In their evidence to us ACRE were less positive and considered that support for delivery of neighbourhood planning appeared to be too locked into concerns about process and regulations and the relationship with the NPPF.

The potential positive outcomes for the health and economic well-being that communities could achieve through debating the best way of securing a sustainable future are being sidelined in favour of testing and refining the process of getting neighbourhood plans adopted. We believe there is a role of Defra in ensuring that the DCLG’s agenda on neighbourhood planning is monitored in terms of quality of

\textsuperscript{205} Q 268
\textsuperscript{206} Q 459
\textsuperscript{207} BBC, Newsnight, 27 November 2012
outcomes that contribute to RCPU’s wider agenda, not just in the number of plans produced.208

151. Neighbourhood planning may not always be the most appropriate tool for communities to use. ACRE suggests the wider local planning context should be the main factor in deciding whether a community should embark on a neighbourhood plan. They consider that tapping into consultation and development of the local plan might be a more effective approach for some communities, particularly where the community and the local planning authority are in agreement.209 Such an approach would avoid the cost of a neighbourhood plan and is less onerous. A neighbourhood plan may also be ineffective in limiting housing in areas where there is a history of under supply. In addition, ACRE contend that although DCLG acknowledges that the new Localism measures are simply additional tools in a large toolbox, it is investing heavily to provide financial incentives for both local authorities and communities to make Neighbourhood Planning the preferred option. We think this will lead to many negative experiences of the process which could have been avoided if impartial advice had been on offer to help communities make the right choice.210

152. One such negative experience might be caused by a vote against the neighbourhood plan at a referendum. Where the local plan is allocating significant housing to an area, it may be unlikely for a community to vote in favour of it through a neighbourhood plan no matter how much consultation has been done. The negative vote could have a demoralising effect on the community and quarantine it from active participation in the future.211 Conversely, despite the Government’s attempts to prevent Nimbyism, a community may agree a neighbourhood plan that rejects the proposed provision of affordable housing in their area. Planning magazine’s ‘What issues might arise in 2013?’, identified an increase in tension between neighbourhood plans and local plans as one of the potential issues for the future:

Raising local residents expectations as to the power that neighbourhood planning would give them to control development in their area was always likely to result in conflict. Residents believe that neighbourhood plans should give them control over what gets built in their local area. Local planning authorities have a different agenda: promoting growth, delivering on housing targets and balancing the views of residents against law and policy. This tension is likely to the courts getting involved.212

153. Neighbourhood planning has the potential to transform rural communities. It offers communities the chance to have a greater say in what development they want, what it should look like and where it should be built. Furthermore, communities are more likely to

208 Ev w32 [ACRE]
209 For example, by developing a Supplementary Planning Document.
210 Ev w32 [ACRE]
211 Ev w32 [ACRE]
212 Planning, What issues might arise in 2013?
accept new housing if they consider it adds value to their area rather than detract from it. 

Ongoing support for communities developing neighbourhood plans, particularly those that lack the capacity, expertise and finance to undertake this work, is crucial if the process is going to deliver the benefits communities have been led to expect. Through its rural networks Defra has a role to ensure that this vital support is available. Defra must also set out how it intends to monitor the neighbourhood planning process to ensure it does not have the unintended consequence of increasing inequality both within and between rural communities.

154. Despite its benefits, neighbourhood planning will not always be the most effective option for communities to choose to achieve the desired result. Where the community and the local planning authority are in agreement, there are better approaches which avoid the cost of neighbourhood planning and are less onerous. Defra must ensure that communities receive unbiased advice and only choose the neighbourhood planning option where it is in their interest to do so.

**Second homes**

155. Second homes add to the shortage of available housing and have helped push prices up in many rural areas, putting homes out of reach for local people. They can present challenges to local authorities in terms of needing to provide the infrastructure to support those homes despite their owners often making little contribution to either the local economy or community and therefore not sustaining that infrastructure.\(^{213}\) Graham Biggs told us that while many second home owners “may eventually come to live there on a permanent basis and add an awful lot to the local community”, second homeownership “does add demonstrably to the housing crisis” in rural areas.\(^{214}\)

156. At the time of the 2011 census over 165,000 people declared they had second homes in another local authority that they used for tourism. The impact of second homes differs across the country. There is high demand for second homes in most National Parks where securing homes for local people employed in lower paid jobs is a problem, one that is particularly acute in the Lake District and Yorkshire Dales. However, in some rural areas that depend on tourism the buying power of people with second homes is vital to support local businesses.\(^{215}\) In general, there are relatively few second homes in England but it is where they are concentrated that they can cause a problem for the local community. Sue Chalkley suggested a link between second home ownership by district council and the volume of town and village green applications,

I find it ironic that often when we are developing schemes and we are responding to the parish council that has come to us and asked for help, it is very often the people who have second homes in the village who then start objecting ... I would suggest in a number of cases they are vexatious and they run in parallel. I do wonder whether

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\(^{213}\) Q 294  
\(^{214}\) Q 252  
\(^{215}\) BBC News online, Second homes a double-edged sword in Cornwall’s Rock, 22 October 2012
their first priority is the value of their home or the ongoing viability of the community.216

157. In their policy paper on affordable housing ENPAA point to the distinction between holiday lets and second homes:

There is an important distinction to be drawn between holiday homes and second homes. The former, if utilised well provide for local employment and increasing numbers of people enjoying the National Park. While the same can be true of second homes, more often they are left empty for long periods of the year.

This makes little contribution to local economies, adds to a shortage of available housing (particularly of smaller units on the market) and raises house prices. The experiences of second home ownership differ across the country with some seeing newcomers as innovators and bringing funds to rural communities, while elsewhere they contribute to ghost villages and bring little funds in. The level of occupancy; the spending behaviour and commitment of those who have second homes all seem important factors in a complex area.217

Cornwall has the largest number of second homes for tourism purposes (10,169), followed by Gwynedd (7,784), North Norfolk (4,842) and South Lakeland (4,684). Until last year second homes were afforded a 10% discount on council tax. The Local Government Bill 2012-13 put forward measures to allow councils to charge the full amount of council tax on second homes. The Bill received Royal Assent on 31 October 2012 and many councils are now scrapping the discount.218

158. Both Matthew Taylor’s report and Elinor Goodman’s before that suggested using planning use categories to address the problem of second homes in rural communities. Graham Biggs and Neil Sinden agreed that this option is worth exploring though, as Mr Sinden pointed out, using Use Class Orders “is not without its problems and it does need to be very carefully explored, but certainly it is something that is worth looking at”. 219 Mr Slaughter cautioned against making the use class system any more complex and considered there to be potentially other ways of dealing with the issue:

There are tools available through the NPPF and neighbourhood planning. There are other initiatives out there. There is the Community Right to Build; there is the growing interest in custom build. All these are models that could help meet the needs of areas such as your own.220

216 Q 255
217 According to ENPAA’s policy statement on affordable housing in the Lake District, 18% of all houses are either second or holiday homes. But figures for the National Parks as a whole can hide wide variations within them. In Coniston Parish in the Lake District the figure is 43%. Data can be patchy and often under-estimates the total number of household dwellings. But in other National Parks the level of second and holiday home ownership is estimated to be 15% (in the Yorkshire Dales and Exmoor); 14% (Northumberland); 12% (North York Moors); 4% (Peak District); 3% (Dartmoor) and 2% in the New Forest (figures have been rounded).
218 For example, Cornwall County Council voted unanimously in favour of scrapping the 10% discount on 21 November 2012
219 Q 109
220 Q 254
One further tool might be granting local authorities powers to introduce a tax on second homes as ENPAA have suggested.\(^{221}\)

159. High concentrations of second homes can have a negative impact on rural communities. They add to the shortage of housing, push up prices and their owners often add little to the local economy and community. **People should not be prevented from buying second homes but we believe there is merit in the RCPU exploring options that may make the process either less attractive for the second home owner or more beneficial for the rural community or both. To reflect local circumstances implementing such options must be at the discretion of the local authority.**

**New Homes Bonus**

160. The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use. It is paid each year for six years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. The aim of the bonus is to incentivise local authorities to increase housing supply. We received evidence that the New Homes Bonus particularly disadvantages rural areas.

161. The New Homes Bonus is funded in large part by a deduction in Formula Grant. In their *New Homes Bonus* report, the National Audit Office described how local authorities that earn only low levels of Bonus will not make up their share of the sum deducted from the Formula Grant.\(^{222}\) Cumbria Council told us that because rural areas “have much less scope for housing development they are likely to receive back only a fraction of what they contribute. The cumulative effect is likely to further redirect significant funding away from rural areas.”\(^{223}\) **Urban areas already receive 50% more in local government funding than rural areas. We have made it clear that we wish the Government to reduce this gap but the New Homes Bonus has the potential to widen it further. The RCPU should monitor the impact of the New Homes Bonus on rural areas and seek urgent amendment if it is found to be putting rural areas at a disadvantage.**

**Help to Buy**

162. It is becoming increasingly difficult for first-time buyers to enter the property market. A study by Shelter found that it now takes couples with children more than a decade to save enough money for a deposit on a home; for a single-person household it is even longer.\(^{224}\) Increased demand for housing coupled with a lack of construction has fuelled an increase in house prices over the last 20 years to the point where home ownership is out of reach for many people. The constraint on mortgage availability as a result of the banking crisis has exacerbated this situation. According to the Homebuilders Federation “Mortgage availability [...] is the biggest current constraint on supply. If people can’t buy builders can’t

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\(^{221}\) ENPAA position statement on affordable housing, 2008  
\(^{222}\) National Audit Office, *New Homes Bonus*, HC 1047, Session 2012-13  
\(^{223}\) Ev 93 [Cumbria County Council]  
\(^{224}\) Shelter, *Report: A home of their own*, June 2013
build.” 225 One might expect house prices to fall if people cannot buy but the general trend has shown this not to be the case. It is interesting to note that despite a record low in the number of new homes being constructed and people not being able to buy, profits of the major housebuilders increased markedly in 2011-12.

163. We have already discussed what the Government is doing to try and increase supply. The Government is also intervening in the market on the demand side. Through its Help to Buy scheme the Government is aiming to help people wishing to purchase houses but cannot do so without extra support. Assuming uptake from lenders, the Help to Buy scheme will offer some help to those wishing to purchase a home. However, it may also cause house prices to rise further. Unaffordability of housing is an acute problem in rural areas and we question the merit of a scheme that has the potential to make the situation worse. The Government’s focus must be on measures to increase supply.

Changing demographics

164. Selective migration is transforming our rural areas. While some sparsely populated rural areas still suffer from outward migration, particularly of young people, the general trend is one of migration from urban to rural areas. This is increasing competition for an already limited supply of housing. Typically the migration is characterised by young people (16-29) moving away from rural areas alongside older people moving in—over the next 20 years the median age in rural England is set to rise towards 50. This is demonstrated in figures provided by the National Housing Federation for rural Yorkshire and Humberside as part of its Yes to Homes campaign:

- the number of 30–44 year olds in rural Yorkshire and Humberside communities has dropped 10.3% in the last decade—more than double the 4% drop in urban areas;
- the number of people in their 20s has risen, but only around two thirds as fast as in urban areas;
- there are 2.5% fewer children under 10 in rural Yorkshire and Humberside, even though there are more children under 10 in England overall;
- the number of over 65s in rural Yorkshire and Humberside areas has risen more than three times faster than urban areas in the last ten years; and
- the number of over 85s has risen one third faster in rural areas over the past decade. 226

This pattern of demographic change is repeated across rural England and has the potential to alter the character of rural communities. An ageing community will ultimately see its

225 Home Builders Federation, Positive moves to unblock the housing pipeline, HBF, 06 September, 2012
226 National Housing Federation, Yorkshire and Humberside briefing for Rural housing week. Through the Yes to homes campaign the National Housing Federation aimed to raise awareness of the need for affordable homes in rural areas. The NHF state that “Rural England will not survive without more affordable homes. Homes help local people live near friends and family and maintain the demand for local shops, schools, post offices and pubs. But not enough homes are being built—prices are rising, young people are moving away, and people on lower incomes are being squeezed out. There is a simple solution. We need to build more of the right homes, in the right place, at the right price.”
school close and other services such as shops and pubs may follow. An ageing population also requires increased social care as well as other services to support the vulnerable. Where key workers cannot afford to live in the area the local council will find it difficult to provide these services.

165. Providing the right kind of housing is key to retaining and attracting young people to live in rural areas. Research commissioned by the Royal Institute of Chartered Surveyors examining the role different types of housing have on the difference in house prices between rural and urban areas concluded that “increasing the supply of smaller, starter homes in villages (as well as ‘entry level’ affordable homes in villages)” should make rural housing more affordable. But it is not just a lack of affordable homes for young people that can be a problem within rural communities. An ageing rural population brings with it its own particular housing needs. Sonia Mangan, told us that,

> [if older people] want to go on living in their community that they have lived in maybe for the last 15, 20 years or even all of their lives, then certainly it is a challenge if they want to downsize ... in terms of needs based accommodation for adults, if you are going to move away from residential care then you need some kind of supported accommodation ... there needs to be more, but it needs to be in the right places.

Councillor Begy concurred,

> I think the big issue we are going to face is that we have not been building one-bedroom houses or one-bedroom flats. If you talk to a registered social landlord, they say it is almost the same cost for doing a two-bedroom rather than a one-bedroom. I think one of the big issues that we councils are going to face over the next two or three years is people are going to say, “I want to come down from three bedrooms to two bedrooms,” and whether we have enough of those; and certainly we will not have enough one-bedroom.

166. Selective migration is also transforming the social composition of some rural areas fundamentally. Professor Mark Shucksmith told us how this is “leading to a socially exclusive countryside where those of middle or lower incomes are unable to afford to live”. He considered there to be a growing inequality between people and places in rural areas. Some rural areas, particularly those most accessible from cities, have seen incomes rise, but against this background, as the CRC’s *State of the Countryside* reports demonstrate, around 20% of English rural households are in or at the margins of poverty.

167. We desperately need more housing in rural England and it is crucial that any policy that aims to address this problem takes account of local need. Many rural areas lack smaller properties that can serve both as an entry-level option for young people wishing to enter

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227 Ev 93 [Cumbria County Council]
228 Rural Services Network, What inflates rural house prices?, 2 December 2012
229 Q 344
230 Q 344
231 Ev 128 [Professor Mark Shucksmith]
232 Ev w55 [James Derounian]
the housing market and as a retirement option for older people wishing to downsize. The shortage of smaller homes in rural areas must be addressed if attempts at increasing the supply of housing are to be successful in sustaining our rural communities. Failure to provide more of the right housing, at the right price and in the right place will exacerbate the existing problems of unaffordability and inequality that persist in some parts of rural England.
6 Fuel poverty

Background

168. A household is considered to be in fuel poverty if more than 10% of its income is spent on heating the home to an adequate level of warmth. Three main factors contribute to whether a household is in fuel poverty—the household income, the energy efficiency of the property and the cost of energy. Marginally more rural households are in fuel poverty than urban households (18.4% compared with 15.9% in figures from 2010) but the depth of that poverty is much deeper. In his 2012 review of Fuel Poverty Professor John Hills noted that rural households had an average fuel poverty gap of £622 compared to £362 for urban areas.

169. Households without mains gas, which depend on more expensive alternatives, suffer the greatest fuel poverty—36% of rural households lack mains gas compared with 8% in urban areas. Rural homes are also likely to be detached and larger than urban homes, making heating them comparatively more expensive. The most remote communities suffer the highest fuel poverty. Professor Hills’ review confirmed that fuel poverty is a serious national problem: it exacerbates other hardships faced by those of low incomes, has serious health effects (including contributing to extra deaths in winter), acts as a barrier to efforts to reduce carbon emissions, and, most worrying, is set to rise.

170. While the higher cost of off-mains gas is a main driver in rural fuel poverty, households in rural areas are also less likely to take up benefits that might reduce fuel costs. This may be due to lack of awareness of schemes or even to a lack of broadband; certainly, that is considered a factor in the low take-up of electricity switching by rural customers.

Energy Company Obligation and the Green Deal

171. There have been a series of initiatives aimed at reducing fuel poverty and increasing a household’s energy efficiency from CERT, CESP and Warm Front to recent replacements of those schemes such as the Energy Company Obligation and Green Deal. The earlier schemes have been criticised for not being effective in reaching rural areas. Defra told us they were aware that “rural households have not benefited from Department for Energy and Climate Change (DECC) energy efficiency schemes, which is why we are working with DECC to ensure the design of the Green Deal and ECO meets the specific needs of rural people.” While it is too early to judge the success of the Green Deal and ECO, several

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233 Ev 115 [Defra]; a household is considered to be in fuel poverty if it needs to spend more than 10% of its income heating the home to an adequate level of warmth.
234 John Hills, Getting the measure of fuel poverty: final report of the fuel poverty review, March 2012
235 Ev 115 [Defra]
236 Ev 101 [Calor Gas]
237 Ev 101 [Calor Gas]
238 Ev 115 [Defra]
239 The Green Deal was launched in January 2013 and as of 27 June 2013 had helped four households.
witnesses raised concern with us over the extent to which the new schemes might benefit the most rural areas.240

172. The Energy Company Obligation is an initiative whereby the major energy companies fund energy efficiency improvements in people’s homes and recover the costs through energy bills. The RCPU secured an agreement from the energy companies that 15% of the targeted recipients of the scheme should be vulnerable households in rural areas—an achievement that ACRE described as an example “of where the RCPU’s role is having real impact outside government”.241 The RCPU’s intervention means that all low-income rural households are now eligible for the Carbon Saving Community Obligation strand of the fund rather than only those in deprived areas. Defra state that “this will see energy suppliers delivering energy saving measures to the most deprived households in rural communities and not just those in areas of concentrated deprivation”.242 It is important that the energy companies follow through on the spirit of the rural safeguard in the Energy Company Obligation. They must target the isolated rural communities where the problems of fuel poverty are at their most extreme and not just the lowest-hanging fruit—those communities which are classed as rural but are market towns or in urban fringes and thereby easier to access.

173. Holly Sims, Corporate Affairs Manager, Calor Gas, warned that lack of marketing of the Green Deal and ECO in rural areas might be a barrier to delivery:

> I think there is still a huge amount of uncertainty around Green Deal. I do not think consumers know very much about it and, particularly in rural areas, we know that getting any information out into rural areas is difficult due to things like the lack of broadband. Communication networks just do not exist in the same way as they do in urban areas.243

Getting to vulnerable people who are suffering fuel poverty but are unaware that schemes exist that might help them is a challenge which the Government must overcome. Some of the schemes are complex and finding out sufficient information can be a daunting process without online resources. Councillor Begy and Sonia Mangan described to us the benefits of a personal approach in which people were visited in their homes and had schemes explained to them.244 “Through its network of rural stakeholders such as ACRE, rural community councils and the Rural and Farming Networks, Defra is well-placed to take a lead on communicating the Green Deal and ECO schemes to a rural audience. The most vulnerable in society have the most to gain from schemes aimed at addressing fuel poverty and the Government should ensure organisations that work with at-risk groups are aware of what is available.

240 Ev 101 [Calor Gas], and Ev 98 [Rural Services Network]
241 Ev w32 [ACRE]
242 Ev 115 [Defra]
243 Ev 205
244 Q 341
Energy Performance Certificate

174. In order to benefit from some of the Government’s energy efficiency schemes households must achieve a high Energy Performance Certificate (EPC) rating. The EPC rating gives an indication of how costly the building is to heat and light and what its carbon emissions are likely to be. As fuels used to heat properties off the gas grid are more expensive than mains gas, those homes off the gas grid, of which there is a greater proportion in rural areas, will receive a lower EPC score. This means that rural homeowners will benefit less, if at all, from the incentives intended to assist the uptake of energy-efficient or renewable technology, such as the Renewable Heat Incentive and Feed-In-Tariffs as they are being limited to homes that meet minimum EPC levels. It is disappointing that off-grid households are being prevented from accessing the same incentives and finance to improve their properties as on-grid households. We look to the RCPU to rural proof energy efficiency policies and see that the bias against rural communities is removed.

Bulk-buying initiatives

175. Bulk-buying schemes can reduce energy bills through the power of collective action. Examples such as the scheme piloted and pioneered by Oxfordshire Rural Community Council for bulk-buying heating oil or Cornwall Together’s plans to switch 10,000 households to cheaper energy tariffs can make a real difference in helping rural communities address the problem of fuel poverty. This is particularly true in rural areas which lack the benefit of effective internet access to search for the cheapest tariffs for electricity. Rural households dependent on heating oil typically exist in clusters, such clustering also lends itself as a natural group to take advantage of a bulk buying scheme.

176. Defra recognises the benefits oil-buying groups can deliver. In the 2012 document The Cost of Fuel in Rural Areas Defra points to the support it gives to the Rural Community Action Network (RCAN) which, “amongst other things, promotes local action in relation to fuel purchasing”. In addition to supporting RCAN:

Defra and DECC worked closely in Autumn 2011 with Citizens Advice, Consumer Focus, Action with Communities in Rural England (ACRE) and the Federation of Petroleum Suppliers on the development of buying tips for consumers using heating oil and a Best Practice Guide for Oil Buying Groups. This publication provides practical information to help communities to set up oil buying groups and ideas on how to run and manage a group once established. It also highlights some pitfalls to avoid and helps assess what is the best option for a community.

177. Collective buying groups have the potential to reduce energy bills for our rural communities. We are encouraged by the steps Defra has taken to support those communities wishing make use of the benefits of collective buying power. In order to

245 Ev 101 [Calor Gas], and Ev w22 [UKLPG]
246 Heating oil is used to heat 34% of rural homes in England, source: Consumer Focus, Off-gas consumers, Information on households without mains gas heating off-gas customers, September 2011
be able to judge the effectiveness of this approach, Defra should set out how many communities have set up oil-buying groups since 2011-12 in its response to this Report.
Rural Communities 67

7 Rural transport

178. Transport is consistently identified as a priority by residents and businesses in rural areas with public transport singled out as an ‘absolute’ priority for improvement.248 Figures from Defra’s Statistical Digest of Rural England underline the importance of transport in rural areas and the challenges rural residents face:

- people living in Villages and Dispersed areas travel 10,000 miles per year on average, compared to 6,400 miles per year in urban areas.
- in 2009 42% of households in the most rural areas had a regular bus service close by compared to 96% of urban households.
- when travel as both a car driver and passenger are taken together 87% of travel in villages and dispersed areas is made by car compared to 77% in urban areas and 79% in England as a whole.
- on average, expenditure on transport accounts for 17.7% of total expenditure for rural residents compared with 14.5% for urban residents.249

179. In addition, the number of households with good transport access to key services or work has declined for town/fringe areas from 86% of households in 2007 to 83% in 2011; over the same period the figures for villages decreased from 52% to 27% and for hamlet/isolated dwellings decreased from 41% to 29%.250

A strategic policy

180. Rural transport is crucial to sustaining rural communities. It connects people to vital services and employment opportunities, reduces isolation and social exclusion, and links rural economies with markets and customers. It is right, therefore, that Defra has made it a Ministerial Priority, but we have seen limited evidence of action to reflect this status. Just one paragraph in the Rural Statement refers to rural transport and Defra’s written evidence to this inquiry adds only a little more information. While the community transport schemes and wheels-to-work coordinators quoted by Defra in its evidence play an important role in local communities, the Government needs to be more expansive in its vision if it has any chance of reversing the downward trend of access to key services for people living in rural communities. Paul Johnson told us:

> We have seen that, with some judicious use of additional stations, you get to 75% population coverage with rail services. There is insufficient work still being put in on the transport stage for regional rural transport with multimode approaches. The need is perhaps not constant bus services, but ones that connect to railway services at

248 Rural Services Network, Rural Insights Survey 2011
249 Defra, Statistical Digest of Rural England, February 2013
250 Department for Transport, Households with good transport access to key services or work, England, 15 January 2013 and Rural Services Network online, Travel time to Key Services
the right time, and some form of very local service for isolated rural areas to get them on to that bus route.

A programmed transport system which takes account of bus/rail linkages and major road linkages would, I think, be quite successful. As I said, it conflicts at times with the national rail programme in terms of the services, and so the balance between regional needs and the intercity needs of the UK as a whole clearly has to be taken into account. An integrated approach, however, would offer a lot of opportunity.251

181. The Government must develop a strategic policy aimed at reversing the trend of declining accessibility to key services for people living in rural areas. As the Department responsible for rural affairs, Defra has a key role in developing this policy. The policy should be an expansive vision that includes multimode approaches to regional rural transport. As part of this work, Defra should liaise with bodies such as the Association of Train Operating Companies, Network Rail, Local Enterprise Partnerships and the Department for Transport to explore improving rail connectivity within rural areas.

182. Too often it is easier and quicker to travel to the nearest city than it is between rural towns in the same region. Improving connectivity between market towns and small towns can be an important lever in encouraging economic growth.252 It is disappointing therefore to learn that at a time when some rural lines such as the route between Tavistock and Plymouth are reopening, the Department for Transport’s invitation to tender for the Great Western rail franchise included “a new flexibility which allows operators to reduce the number of times trains stop at rural stations.”253 We note that there have been calls for the DfT’s £20m New Station Fund to be extended and that current bids are being reviewed by a cross-industry panel and the DfT.254 Defra should work with local authorities and LEPs to support actively those rural communities wishing to maintain or improve their rail access. As part of this, Defra should consider whether RDPE funding might be made available to support rural communities that are successful in the existing round of the New Station Fund (and future rounds should the Fund be extended), in order to help create successful local transport hubs. Such work should be incorporated in a nationwide strategy for rural transport.

Bus services and community transport

183. For rural communities to be sustainable they need to retain people of working age who can contribute to the local economy. There is currently a clear drift of young people to urban areas. While unaffordable house prices and fewer job opportunities in rural areas are principal factors behind this migration, the lack of adequate transport to access employment opportunities is a significant issue. Employers and employees not only need stability of service but for those services to be available at the right times. Examples of buses

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251 Q 12
252 Q 3
253 Ev w7 [Quantera Ltd] and Campaign for Better Transport, Reopening railways: the case for growing the rail network and how it can be achieved
254 Department for Transport press release, New stations fund proves popular, 11 March 2013
arriving in the local town only for the last bus home to depart thirty minutes later, or buses arriving at stations at times that do not connect with the train timetable are unfortunately all too common.  

184. Rural transport services provide a vital link for the elderly. They provide independence for those who may not be in a position to run a car, enabling them to reach services such as healthcare and shops, and to socialise. Rural transport services enable carers to reach their patients and the availability of such services can impact on the provision of home care.

185. The Rural Services Network describe the pressures:

rural bus services are under severe financial pressure from the combined effect of rising fuel prices, reducing local authority revenue budgets, less reimbursement for concessionary fares and a 20% cut to Bus Service Operator Grant. Rural operators also say that ‘red tape’ is still increasing e.g. Passenger Rights, DDA deadlines, Bus Stations Order ... Local authorities and bus operators are managing as best they can (e.g. seeking lower cost transport solutions), but there is a limit to their room for manoeuvre given such financial and regulatory pressures.

Councillor House described the situation to us as a perfect storm where “rising fuel prices and general rising costs mean that commercial operators are deregistering more services; local authorities naturally do not have the funding to pick those up. Therefore, we are seeing more and more communities become isolated”. Research carried out by the Campaign for Better Transport reveals that:

- 41% of local authorities cut spending on supported bus services in 2012;
- Cuts from those councils reducing funding totalled £18.3m—16% of the budget for supported buses across England; and
- more than 100 supported services were lost in the South West; 62% of local authorities in the East Midlands have cut funding for buses; and East Anglia have made the deepest cuts.

186. While bus services are under increasing pressure, community transport has expanded rapidly and recognition of the role it can play has grown. Defra outlined the work it has done with the Community Transport Association to better understand this sector. Keith Halstead, the then Chief Executive of the CTA, told us the Rural Communities Policy Unit had been “very supportive and contributed time and funding to the production of [the CTA State of the Sector] report.” Mr Halstead noted that through the work of the RCPU his organisation felt it had more connection with Government.

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255 For example, see Transition Marlborough report on transport links in Marlborough
256 Q 338
257 Ev 98 [Rural Services Network]
258 Q 85
259 Rural Services Network online, Local councils cut bus services, 16 December 2012
260 Q 361
187. Community transport has expanded in recent years for a number of reasons including cutbacks in mainstream public transport because of budget reductions in local government, a reduced commitment by the Health Service to provide non-emergency transport, an increased recognition of the role community transport can play, and changing demographics. There are now more than 2,000 community transport organisations operating across England—nearly one third of them based in rural areas. In addition, 60,000 people volunteer with community transport organisations, of which 48,000 are in rural areas. The Government has acknowledged the benefit community transport can bring to communities by providing £10 million in 2011-12 and 2012-13 to 76 local authorities to encourage them to introduce sustainable community transport services. Defra state that

Community transport is also a key priority for rural areas. Community transport is safe, accessible, cost-effective, flexible transport run by the community for the community. As we move into an era of new community rights, community transport shows what can be done when people take responsibility for solving their own problems. It mobilises and engages local communities, and harnesses the experience and energy of volunteers who give freely of their time to help others.

Community transport is about freedom and fairness of opportunity. It meets the needs of people who do not have access to cars, taxis or buses and provides a lifeline in both rural and urban areas. It takes disabled people to work, children to school, sick people to healthcare and older people to the shops. It runs local bus routes and provides transport for a wide range of clubs, voluntary bodies and care homes.

188. We agree with the Rural Services Network that “Action to try and sustain rural transport networks—especially for those without a car or unable to drive—is vital to the social and economic fabric of rural communities.” We therefore welcome the work the Rural Communities Policy Unit has done with the Community Transport Association. It is a good example of central Government and civil society working together.

189. Community transport is funded in a variety of ways, one of which is the Bus Service Operators Grant (BSOG). BSOG is a fuel duty rebate which is intended to help all bus operators cover their costs effectively. The CTA state in their State of the Sector Report that the BSOG is an extremely important payment to community transport organisations—community transport organisations in England claimed a total of £4.95m in 2010/11.

At a time when grants to civil society organisations are scarcer and the devolution of transport funding to local authorities means that previously guaranteed funding

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261 Ev 113 [Community Transport Association]
262 Ev 113 [Community Transport Association]
263 Ev 113 [Community Transport Association]
264 Ev 115 [Defra]; See Ev 113 [Community Transport Association] for statistics on use of community transport in England
265 Ev 98 [Rural Services Network]
streams may become discretionary, the CTA believes that BSOG is an important source of funding to the sector which should be protected if at all possible. 

190. In the previous Spending Review the Government announced the Bus Service Operators Grant would be cut by 20% from 1 April 2012. Mr Halstead told us that “all community transport organisations would have received the 20% reduction that the Government committed to ... nearly 1,500 organisations in England claim it, and the average claim is somewhere in the region of about £3,400 ... just from that, they will obviously take a cut of £700 each, which may not sound a lot but, if you are a small community organisation, that is £700 you have to find from somewhere else.” On 5 July 2013 the Government announced plans to reform the bus subsidy system. Under the reforms the subsidy will be paid to local authorities, rather than operators, where funding relates to services they support. The devolution of funding to local authorities will come into force on 1 January 2014 and will be ring-fenced until 2016-17.

191. It is disappointing that beyond the announcement of the welcome additional funding, little of the RCPU’s work with the CTA made it into the Rural Statement. Defra highlighted the extra money for community transport without mentioning the 20% cuts to the Bus Service Operators Grant (BSOG)—which the CTA state is an important source of funding for the sector. When the next update of the Rural Statement is published we expect it to include the steps the Government is taking to follow up on the concerns and opportunities identified during the production of the 2012 CTA State of the Sector Report. This work must include an evaluation of the outcome of cuts in the Bus Service Operators Grant on community transport as well as consideration of how changes to the bus subsidy system will impact on that sector.

192. We also expect Defra to work with rural and transport practitioners within local authorities to ensure that where a rural bus service is targeted for closure, alternative community-led schemes are actively pursued and supported where demand is demonstrated. Such community-led schemes, as well as other transport services, should not ignore the needs of the labour market in favour of other requirements. While we agree community transport should be driven by civil society this should not mean Government abdicates responsibility for transport in rural areas entirely. Government has a role in promoting, coordinating and supporting community transport within a national strategy for rural transport. Doing so will be an important lever in developing sympathetic attitudes towards community transport among public bodies such as local authorities and LEPs.

Concessionary fares

193. Concern has been raised with us over the operation of the concessionary fares system. As a principle of the Concessionary Bus Travel Act, an operator should be no better or no

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266  Community Transport Association, State of the Sector Report for England 2012
267  Q 369
268  HC Deb, 5 July 2013, Col 74WS
269  Ev w7 [Quantera Ltd]
worse off by accepting a concessionary pass. Helen Wright, Rural Policy and Partnerships Manager, East Riding of Yorkshire Council, told us that the concessionary fares system “is such that the buses are becoming unviable now […] unless some sort of levy can be raised for people, who seem willing to pay a small levy, we are going to have to look more towards the community transport sector.” Councillor Begy supported this view, noting that the “concessionary fare can be a cost rather than a benefit”. Sonia Mangan, Chief Officer, Age UK Lakeland, however counselled that at the moment “it is the only solution … looking back again at voucher schemes, that was such an unpopular move locally.” Last year nearly 10 million older and disabled people owned concessionary bus passes and made an average of 109 bus journeys each a year. Free bus passes are only of value if there are services available on which to use them; the ongoing cuts to local bus services raises questions over the merit of the system as it currently stands.

194. Concessionary fares do not currently apply to many community transport services. This means that an older person or disabled person cannot use their concessionary pass on community transport even where it is the only means of transport available. We believe there is a need for the Government to review the current mandatory nationwide concessionary fare system. In line with the Government’s decentralising agenda the review should consider whether locally led solutions offer a better means of safeguarding services and generating growth. Protecting the vulnerable should be at the heart of any proposed reform to the system and allowing elderly and disabled people to gain concessions on services provided by the community transport sector must be considered.

Wheels to Work

195. A significant transport issue for rural areas is meeting the needs of young people to get to work, training and education. Addressing this problem must be a priority for the RCPU—as the Secretary of State, Owen Paterson, told MPs, “the rural economy will not grow without suitably trained and skilled young people”. One step the Government has taken is to introduce Wheels to Work. Wheels to Work is a moped loan scheme aimed at helping people overcome the initial problem of getting to work or training where no suitable alternative transport exists. Wheels to Work is funded by the Department for Transport’s Local Sustainable Transport Fund, client contributions and a variety of other smaller sources. Wheels to Work schemes help to build confidence and enable young people to access the services they need. We welcome the Government’s commitment to continue to fund a national Wheels to Work coordinator. In their written evidence the CTA state that

Wheels to Work schemes are an established means by which people in rural areas can gain access to work and training. However many such schemes in recent years
have struggled to survive, usually through lack of funding. The more progressive schemes have become social enterprises showing that it is possible to operate with less dependence on public funding. Nevertheless, there is a need for more collaborative working across the various government departments (Defra, DfT, DWP) who have a stake in the success of Wheels to Work. We would like to see this need taken forward by the RCPU. 276

The Minister for Rural Affairs told us that the Wheels to Work scheme “has been an absolute lifeline” for the unemployed in rural communities.277 It is therefore disappointing to learn that some schemes have struggled to survive through lack of funding. Keith Halstead told us that the CTA put forward a proposal to the Department for Transport and Defra saying that we would like to look at the financial models of some of those schemes, because there is potential to be quite enterprising to develop more Wheels to Work schemes as social enterprises, perhaps using some of the loan finance from Big Society Capital and other social investment bodies for the third sector. We would like to just look at those more and advocate some different financial models to scale up Wheels to Work schemes. I think it would be good for DWP to take more of an interest in them too.278

Defra should work with the DfT and DWP as well as local authorities and civil society groups to ensure that schemes—such as Wheels to Work—that enable young people to get to work, training and education do not falter through lack of funding. Where necessary, alternative sources of funding should be explored including loan finance from Big Society Capital and other social investment bodies for the third sector.

Fuel prices

196. Residents in rural areas not only use their cars more than their urban counterparts but pay a premium at the pump in doing so.279 A survey last year by the Countryside Alliance suggested that diesel prices in rural filling stations were, on average, 4p higher per litre than in urban areas.280 Rural communities also have a low density of supermarket-tied filling stations which means increased costs at the pump, compared with urban areas where competition has helped drive prices down.

197. The lack of public transport in some rural areas can mean people have little choice but to run a car. As Gillian Elliott told us:

in a rural area, if you do not have two cars then two people cannot go to work, because they are in different areas. It is not a luxury, it is a necessity. In my village, we do not have any buses at all. If the children want to go to school, you take them there

276 Ev 113 [Community Transport Association]
277 Q 451
278 Q 380
279 Defra’s 2011-12 statistical release on petrol prices in rural areas states that on average people living in settlements of less than 10,000 paid 1.9p per litre (1.4%) more than people in urban areas.
280 Countryside Alliance, Fuel price threaten rural economy, 2 March 2012
and then you go to work, or else they have to ride their own bikes, and, again, you are on rural roads.281

198. The higher cost of fuel in rural areas does not just impact on families, it makes public sector services more expensive to deliver—at a time when ageing rural populations are increasing the strain on resources—and puts an increased burden on rural businesses. As Dr Adam Marshall, from the British Chambers of Commerce pointed out:

Rural businesses that are heavy fuel-users tell us over and over again that the endless rises in the price of fuel are causing them the greatest level of business uncertainty, because it is not a variable cost that is easy for them to control in terms of the running of their companies. Their level of resentment is strongest when they look at the disconnect between the oil price at any given time and the relentless march of fuel-duty rises over and over again ... Greater stability in fuel prices would, therefore, be a great goal; whether we have the mechanism to get there, I am not sure.282

199. For some rural communities access to fuel has also become an issue. Since 1992 the number of filling stations in the UK has fallen from about 18,000 to 8,608 in 2012. Over the last 15 years the market share of supermarkets has doubled to 40%—this during a period in which the overall market has grown by only 1% and petrol sales have declined by about 35%.283 The effect has been to force the closure of smaller, less well located filling stations, such as those in rural areas, which are more vulnerable to market conditions because they have higher overheads and lower throughputs.

200. Earlier this year, the Chief Secretary to the Treasury announced that the Government was considering lobbying the European Commission for a fuel duty discount for rural mainland areas—such a discount (five pence off a litre of fuel) is already available for some of Britain’s island communities such as the Isles of Scilly where the cost of delivering fuel is demonstrably higher.284 Mr Alexander cautioned that “the process is a complicated one, and there’s a very high hurdle in the sense that we have to be able to persuade the European Commission and get all of the other 26 member states to vote for it as well.”285

201. We welcome the Government’s decision in this year’s Budget to maintain the freeze on fuel duty. This move is particularly important to rural areas where the high cost of fuel is inhibiting growth in the rural economy and having a high impact on families, the elderly and the vulnerable, as well as public services, however the Government should not stop there. In addition to maintaining the freeze on duty the Government should continue to explore other options to address the high cost of fuel in rural areas. This should include continuing work on the possibility of introducing fuel duty discounts in the more remote parts of the United Kingdom that do not have easy access to the cheaper fuel available at supermarket-tied filling stations. The Government should report back on this issue no later than next year’s Budget.
Reducing car dependency

202. As we noted earlier, the high cost of running a car is a particular burden on people in rural communities because no alternative means of transport is often available. The lack of a safe means to walk or cycle to school or workplace, particularly in those rural communities sited along main arterial roads is a further incentive to people to use their cars.\footnote{Transport 2000, \textit{Rural Transport Futures}, September 2003; CPRE press release, Making cycling a better choice states that cycling on rural A roads is now over ten times more dangerous per mile than cycling on urban roads} The Government recognises this in the Rural Statement and states that it is “Encouraging local authorities, including rural councils, to promote cycling and walking, by working with community groups and others to invest in off-road networks and rights of way and to create active travel opportunities including safer cycle and walking routes between villages.”\footnote{Defra, Rural Statement, September 2012} However, money previously earmarked for cycling and sustainable transport under the Local Sustainable Transport Fund has now been rolled into the £2 billion Single Local Growth Fund that is being administered by LEPs.\footnote{Campaign for Better Transport press release, Government Infrastructure Plans—Response, 27 June 2013}

203. \textbf{As part of a strategy on rural transport the Government, and its delivery bodies such as Local Enterprise Partnerships, must consider measures that reduce car dependency. More needs to be done to create rural transport hubs. Buses that link up with rail services to enable people to get to work and education should be the norm not the exception. Encouraging increased take-up of cycling must also form part of a rural transport strategy. This should include the provision of safe, dedicated cycle paths along key commuter routes and secure storage facilities at bus and railway stations.}
Empowering communities

204. The Big Society and Localism are important features of the Government’s agenda as it seeks to decentralise power and give communities a greater say and responsibility in decision making and in addressing the challenges they face. The CRC’s 2010 State of the Countryside Report makes it clear that rural people are in a strong position to respond positively to this agenda. Data gathered by the CRC shows that people in rural areas are more likely than their urban counterparts to feel that they strongly belong to their neighbourhood. They are more likely to report that they have been involved in local decisions and are more likely to volunteer than those in urban areas—on average nearly 30% of rural residents reported that they had given unpaid voluntary help at least monthly over 2009-10.289

205. In the Rural Statement the Government describes rural communities as the embodiment of its vision for the Big Society:

[Rural communities] have a strong tradition of local people identifying their own needs and addressing these through their own locally-led action. We are keen to build on this tradition and have introduced a range of new initiatives and funding mechanisms to support communities in taking control of their own futures.290

Community rights

206. When the Localism Act became law in April 2012 it introduced a range of ‘Community Rights’ intended to empower communities. They include:

- **Neighbourhood Planning**—allows communities to agree a plan that will help them get the type of development they want for their area;

- **Community Right to Build**—aims to make it easier for communities to deliver small scale projects such as housing and amenities;

- **Community Right to Bid**—gives community groups a fairer chance to acquire community buildings, facilities and land that are important to them; and

- **Community Right to Challenge**—enables communities to express an interest in taking over a local authority-run service where they believe they can do so differently and better.

207. These rights are still in their infancy but, to a large extent, communities have exercised their functions in one way or another since long before this new piece of legislation was introduced. The completion of over 4,000 Community-Led Plans in rural areas over the last few years demonstrates that rural communities have an appetite for shaping their future. Before Right to Bid and the Asset Transfer Programme,291 rural areas were already

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291 Asset transfer refers to the shift in management and/or ownership of buildings or land usually from public bodies (most commonly local authorities) to communities (usually to local community and voluntary groups).
home to an estimated £3 billion of community assets including more than 10,000 village halls, 90% of which are charities run by local volunteers, and more than 300 community-run shops.\textsuperscript{292}

208. The Government's Community Rights have put more power in the hands of communities and this is something we applaud. However, the measures created by the Government may not always be the most appropriate means for a community to achieve its objective or the cheapest.\textsuperscript{293} Given the expense involved in taking up some of the rights it is crucial that communities are given impartial advice, but ACRE contend that this is “very far from the position the Government is currently adopting”.\textsuperscript{294} ACRE also consider that the impetus for the use of the rights must be rooted in the community not imposed upon it:

The local planning system can provide alternatives for the Community Rights to Build, Bid and Neighbourhood Planning if appropriate planning policies are in place. [...] Communities are somewhat confused about why they should exercise the Rights rather than use variations of current practice that are far less bureaucratic and costly.

[...] It is of concern to us that significant investment is being specifically tied to the use of the Rights and this is biasing decisions that communities and local authorities are making on the ground.\textsuperscript{295}

Research undertaken by the Yorkshire and Humber Rural Network found considerable interest in Community Rights, “but often community organisations lacked sufficient understanding to know how they could be utilised or held misconceptions about what they could deliver. Although advice and support services have been set up with DCLG funding, many groups remained unaware that these existed”.\textsuperscript{296}

209. To date, of the new rights, communities have shown strongest interest in take up of Neighbourhood Planning and Community Right to Bid with little interest in the Right to Challenge.\textsuperscript{297} This perhaps reflects the riskier nature of the Community Right to Challenge. As Mike Perry told us:

The main risk to the Community Right to Challenge is if a community challenges a local authority that is providing a service. The challenge leads to a tender process and anyone can bid for it. A community may go for it and end up with a service provider that provides a far worse service. That is the risk. The community initiating it does not mean that the community necessarily gets the opportunity to take it on.\textsuperscript{298}

\textsuperscript{292} ResPublica, The Rural Big Society; Ev 90 [Plunkett Foundation]
\textsuperscript{293} The DCLG estimates that the average cost of drawing up a neighbourhood plan is between £17,000 and £63,000. The cost to community groups of bringing forward a community right to build scheme is estimated at approximately £40,000 (Source: Impact Assessment)
\textsuperscript{294} Ev w34 [ACRE]
\textsuperscript{295} Ev w34 [ACRE]
\textsuperscript{296} Rural Services Network online, The Localism Act in practice, 7 April 2013
\textsuperscript{297} As of 15 March, 430 communities have taken the first formal step in the process of producing a neighbourhood plan by applying to formally designate their neighbourhood planning area and at least 252 assets of community value have been listed in England assets have been listed, source HC Deb, 19 March 2013, Col 624W
\textsuperscript{298} Q 395
210. ACRE warn that while “community groups using volunteers can often generate sustainability of a service that could not be achieved through professional contractors—the increasing professionalism that may be needed if services are delivered under formal contract may alienate the very volunteers that are required to generate viability.” Rather than proceed with a formal Right to Challenge, ACRE argue that it may be better to revert instead to the “traditional small scale grant aid for local initiatives and save money on the service as well as saving the cost of a formal tendering process.”

211. The new Community Rights are welcome additional tools to allow communities to shape their future development. However, giving communities these rights does not mean that it will be appropriate in all cases for communities to exercise them to achieve the desired outcome. The Government should promote the new powers it has created but it must not push communities into using them unnecessarily, particularly if the outcomes can be better achieved using existing tools. Some of the new rights are costly to implement and are not without risks. It is crucial that communities receive impartial advice and the Government must do better to ensure this is the case.

Retaining services

212. Social enterprise and community ownership approaches deliver benefits to rural communities, both in terms of ensuring the continuation—or initiation—of important local services and of building the social capital that underpins resilient communities. Yet, the Plunkett Foundation maintain that clear policy interventions are needed to retain services within rural communities through social enterprise and that they are currently lacking:

We would like to see a commitment to retaining shops, pubs and vital services in rural areas. [...] We would like to see the planning system provide greater support for that. Change of use has been an issue. People have applied for and received change of use, despite their community wanting to take over and run a service.

Evidence from the Plunkett Foundation demonstrates how resilient community-run enterprises can be—of the 314 community-run shops that have opened in the last 20 years, 301 are still open today. A report looking at performance of community shops in 2012 shows that, in an environment that has seen stalling growth, average gross sales are up by 13% and net profit of all community shops increased by 22.8%. At least 200 communities are considering setting up a community-owned shop.

213. Planning issues can be a barrier to setting up a community business. 60% of community shops exist in new premises or alternative premises to the former shop. Mike Perry told us that the planning issues “are not just related to: ‘Can we can take over that shop or not?’ It is: ‘If we cannot, where else can we put it?’” We believe these are
circumstances where the Community Right to Build scheme has the potential to help communities. Community Right to Build (CRtB) is a means of creating permission to build where it would otherwise not be forthcoming and, unlike a neighbourhood plan, it is binding on the local authority. The Government have primarily marketed the CRtB as a means of providing affordable housing but this is by no means its only benefit. As Rt Hon Grant Shapps, then Housing Minister, wrote in a letter to the Guardian about the CRtB:

Community groups will now be able to take the lead in delivering the new homes, shops and facilities they really want—and without a separate application for planning permission, as long as the proposals meet certain criteria and there is community backing in a local referendum. These legislative changes are being backed with cash—with a portion of the affordable homes programme set aside to fund community-led development.

The CRtB has the potential to enable communities to build amenities either directly or from building houses for sale at a profit to generate funding for community projects.

The Government is not doing enough to promote the benefits of community ownership and the role community-owned enterprises, social enterprises and co-operatives can have in growing the rural economy—especially in our more isolated communities. A firm endorsement of this type of enterprise in policy and planning guidance will have a positive impact on the attitudes of public bodies, particularly local planning authorities and LEPs. Such an approach is consistent with the Government’s stated objectives of promoting action driven by civil society rather than reliant on the public sector. As part of an increased emphasis on the benefits of community ownership, the Government must do more to promote the Community Right to Build scheme as a means to help communities build or retain amenities such as village shops.

**Rural Development Programme for England**

215. The Rural Development Programme for England (RDPE) is a seven-year funding programme that from 2014 will concentrate on six broad ‘priorities’ and more detailed ‘focus areas’ (sub-priorities). The broad priorities are:

- fostering knowledge transfer and innovation;
- enhancing competitiveness of all types of agriculture and the sustainable management of forests;
- promoting food chain organisation, including processing and marketing, and risk management;
- restoring, preserving and enhancing ecosystems;
- promoting resource efficiency and the transition to a low carbon economy; and

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305 www.ruralise.co.uk, The Community Right to Build is Dead?, March 14, 2012

From 2014 Member States will have to spend at least 5% of their rural development funding on LEADER. The Leader Approach (which previously formed axis 4 of the 2007-13 RDPE) is designed to enable a ‘bottom up’ community involvement in rural development. With funding for national programmes being squeezed, this European funding has become a major resource for rural communities. However, Mike Perry considered that under the previous round of the RDPE the Leader programme had ceased to be fit for purpose. He suggested that as the details of the new RDPE are being drawn up policy makers need to make sure that the next generation of Leader “actually fits the needs of communities today, as opposed to communities 10 years ago.” Mr Perry gave the example that virtually none of the communities that have saved their shops and pubs have received any funding support through Leader.

216. The current Rural Development Programme ends this year and there is concern that the next Programme might not be fully in place until 2015. Professor Shucksmith told us:

one of things that has stopped Leader being effective as it could have been is that, with every new EU funding programming period, there is a hiatus; all the staff are lost; the Local Action Groups are disbanded. There is a tremendous loss of capacity, know-how, impetus and momentum.

217. Professor Shucksmith suggested that the Government should provide minimum funding to keep Local Action Groups going during the period between Programmes. We are pleased that the Government have recognised concerns over the future of Local Action Groups during the potential transition period between Rural Development Programmes and made available up to £3million to allow them to retain capacity and expertise. During development of the new Rural Development Programme Defra should explore how Leader can be used better to help those communities looking to retain services that are under threat. However, no amount of support will make a local shop, pub or other service viable if communities do not use them.

**Collective action**

218. People in rural areas typically need to spend 10–20% more on everyday requirements than those in urban areas. The more remote the area, the greater the extra expense. Rural communities are also constrained from using the internet as a means of exercising choice in price due to limitations in the availability of broadband. In its report on *Price and Choice in Remote Communities*, the Office of Fair Trading suggested that rural communities can be empowered through collective action, be it through establishing

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307 European Commission, CAP Reform—an explanation of the main elements, 26 June 2013
308 Q 403
309 Q 403
310 Joseph Rowntree Foundation press release, Country life: tougher to make ends meet
311 Ibid.
312 Office of Fair Trading, *Price and choice in remote communities*, June 2012
buying groups or setting up co-operatives—we have already mentioned the benefits that such action can bring in reducing energy bills. The OFT found that communities interested in acting collectively were often “intimidated by the upfront paperwork, financing and organisation commitments.” In their view, accessible, straightforward advice on what is involved, where to find examples of good practice, and how to seek professional advice if necessary, would help many communities overcome their inhibitions. We recommend the RCPU put in place a programme to support communities wishing to come together to realise the benefits that collective action can bring.

Unequal capacity

219. The Government is promoting new powers to enable communities to help shape their future, however the Carnegie Trust warn, “passing power and responsibility to local communities without the necessary resources risks creating a ‘two-speed’ rural economy.” A study of the 433 applications for neighbourhood plans shows only a tenth of these have been made in the 20% most deprived local authorities and that three times as many plans have been approved in the least deprived 20% than in the most deprived. We have already said that neighbourhood planning is not necessarily appropriate for every community however the disparity between the number of most and least deprived communities who have submitted an application is worrying.

220. Inequality exists between and within rural communities. As we discussed earlier, areas of affluence can mask pockets of deprivation. Efforts to empower communities can risk exacerbating these inequalities as, on the one hand, communities with capacity, funding and expertise can progress while others lacking those attributes do not, and on the other, internal power relations within communities can mean that elites capture most of the benefits. This concerns us because rural communities that lack capacity and support may become impoverished and lose services and infrastructure as well as contribute less to the rural economy.

221. Constraints on government spending mean that the voluntary organisations and local development networks that could mitigate against the unequal capacity of communities are themselves facing cuts in funding and reductions in charitable donations. Councillor Begy told us the voluntary sector was “vital, it is the last sector I would cut ... we would not survive in rural areas without the official third sector and the unofficial third sector you tend to get in really rural areas.” For Professor Shucksmith it was clear that, unless there is capacity building at community level, inequalities will grow between rural areas. While support can come from foundations, universities and others, it is not clear who else might provide capacity-building on the scale required and in a systematic way apart from government, whose enabling and fostering role is crucial.

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313 Office of Fair Trading, Price and choice in remote communities, June 2012
314 Ev w2 [OFT]
315 Carnegie Trust Report, Future Directions in Rural Development, 2012
316 Q 323
317 Ev 128 [Professor Mark Shucksmith]
222. As take-up of neighbourhood plans demonstrates there is a risk that if the state passes power and responsibility to local communities some will rise to the challenge but some will not. Inequality within rural areas may increase as a result. We welcome funding from Government to help communities get initiatives off the ground but funding must also be directed at professional community support organisations. Without the encouragement, hands-on support and resources of such organisations, many communities may miss out on the opportunity to have a say in their future.
9 Rural Communities Policy Unit

223. The Rural Communities Policy Unit (RCPU) is the lead rural policy function within Government. Based in the Rural Development, Sustainable Communities & Crops Directorate within Defra, the RCPU’s role includes the following functions—Rural Proofing Government policies, enabling rural economic growth, broadband and mobile phone infrastructure delivery, stakeholder engagement and building the Rural Evidence Base.318

224. In our inquiry we sought to scrutinise the RCPU on the exercise of its functions. We considered the effectiveness with which the RCPU engaged with rural stakeholders, its success in rural proofing government policy, whether it was transparent and accessible, its level of expertise, and whether it had the appropriate policy focus.

Rural proofing

225. Rural proofing requires policy-makers to consider the rural impacts of their policies and, where necessary, make adjustments to ensure they apply fairly to rural areas. The RCPU supports rural proofing by providing advice, guidance and support to policy officials across Government, including through published rural proofing guidance materials and toolkits. Defra told us that they aim to produce “a cluster of different toolkits, depending on the profession, because there are some specifics where people like to see some examples of practice”.319 To date, Defra has produced a local government level toolkit, and a health toolkit, and will shortly publish National Rural Proofing Guidelines. Defra’s intention to refresh its approach to rural proofing and run workshops for officials across government is to be welcomed.320

226. Throughout this Report we have assessed the RCPU’s success in ensuring the work of Government is rural proofed. We have noted examples where the RCPU has had influence—such as in seeking changes to the NPPF and working with the Department for Transport on Community Transport—and occasions, such as the local government funding settlement, where its influence was less apparent. Professor Shucksmith considered that the RCPU had established strong working relationships with colleagues in some government departments but that links with some policy areas such as schools and youth unemployment appeared less strong. Certainly, the evidence we heard suggested that Defra were not aware that changes to education funding policy might disadvantage small rural schools.

227. For Defra to ensure Government rural proofs policy effectively it needs to have strong relationships with other departments to make sure they are attuned to rural aspects at an early stage in policy formation. It is much harder to change a policy once it has been drafted and announced. As much of the development of policy is done within Government it is difficult to assess the extent to which rural proofing has both taken place and had an

318 Ev 115 [Defra]
319 Q 472
320 Q 472 and Ev 98 [Rural Services Network]
influence on the final policy. If done early enough in the policy process the impact can be difficult to see. We recommend that all policies be subject to rural proofing, unless a case can be made that it does not apply. Action taken to ensure fair rural outcomes must be reflected in a policy’s Impact Assessment so that rural stake-holders can see that their needs have been accounted for. Where applicable, the impact assessment process must include consideration of the rural premium that exists in delivering services in rural areas.

228. Defra does not necessarily need to act as rural proofer itself. First and foremost rural proofing must be built into the process of policy creation within departments. Secondly, there are many rural organisations able to represent rural interests and support Defra in its rural proofing role.

229. Several organisations suggested to us that Defra produce ‘an annual report’ on rural proofing. Indeed, the Rural Statement includes a commitment by Defra to commission an external review of rural proofing to be undertaken in autumn 2013. In our Report, Farming in the Uplands, we also recommended that the Government should publish an assessment of the work of the RCPU. We agree that Defra should review rural proofing annually. The review must acknowledge where it has failed to secure rural fairness as well as the successes it has achieved. It seems sensible to us for that review to be included in Defra’s Annual Report and Accounts in line with the guidance for other government departments.

Engagement

230. The RCPU has made engaging with representatives of rural communities and businesses a key priority. It maintains a structured engagement with RCAN, ACRE, Rural and Farming Networks, the Rural Coalition, the Rural Services Network, Local Enterprise Partnerships, and Local Action Groups. The Plunkett Foundation considered this too small a number of rural stakeholders and Professor Shucksmith asked whether the RCPU’s engagement with these bodies, while valuable, simply represented the ‘usual suspects’:

If one is really trying to reach all parts of rural communities, particularly in the way that the Commission for Rural Communities was statutorily obliged to reach disadvantaged groups in rural communities, one has to go further. I do not mean that as a criticism of RCPU, because it is extraordinarily difficult for a central Government unit within a ministry to reach out in that sort of way, particularly with the relatively few members of staff that they have.

231. However, both Mike Perry from the Plunkett Foundation and Professor Shucksmith agreed that given the size of the RCPU team and its limited resources, the expectation that they would be able to reach out to all communities, including the hard-to-reach, was

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321 Ev w34 [ACRE]; Ev w10 [Shropshire Council]; Ev w44 [Rural Coalition]
322 Defra Ministers have invited Lord Cameron to undertake this review and are currently discussing terms of reference with him. In addition, guidance materials issued to Government Departments requires that they report on their rural proofing activities in their annual report and accounts.
323 See Ev 115 [Defra] for further details on Defra’s engagement with these bodies.
324 Q 385
unrealistic, particularly given the current Government freeze on marketing budgets.  

Other witnesses praised the Rural and Farming Networks and considered that the RCPU “has gone out of its way to ensure the RFN has broad representation”. However, “little on-the-ground promotion of the Rural and Farming Networks other than launch” and lack of funding for these partnerships limited “the extent to which they could speak for the constituents they represent”.

232. It is perhaps not surprising that those organisations not part of the RCPU’s structured engagement felt the RCPU could do better. Helen Wright told us “we have a dedicated rural team. We are not part of any LEP situation directly, so we are not around a LEP round table. We feel quite bereft, really, that we cannot get more direct contact. I do not think there is direct contact with individual local authorities.”

233. It is unrealistic for the RCPU to engage directly with a wide range of rural communities. It should not try. Instead those rural bodies who represent Defra’s stakeholder engagement should be routinely challenged to demonstrate that they have the appropriate reach at a local level—one that includes the ‘hard-to-reach’ members of rural society. While we consider that the network of bodies with which the RCPU maintains a structured relationship constitutes a comprehensive engagement framework, we believe that including rural practitioners in local authorities in that structure would be mutually beneficial.

**RCPU’s priorities**

234. The RCPU has a particular policy focus on Ministers’ stated rural priorities—housing, broadband, services, transport and fuel. In addition, Defra is responsible for driving rural economic growth through delivery of the socio-economic elements of the RDPE, and the package of measures announced in the Rural Economy Growth Review.

235. Throughout our inquiry we asked whether the RCPU’s policy focus was correct. The Rural Coalition considered that “given the changes in national policy, new local implementation models and general funding shortages, we also believe that the health agenda needs formal recognition as a distinct rural priority”. The demographics of our rural communities are changing. Rural communities are ageing, this makes supporting people to live independent lives and providing services for those who are vulnerable an increasing challenge for local authorities. Against this, the growing rate of out migration of young people is a major issue for the sustainability of many rural communities.

236. We have highlighted how lack of affordable housing, greater distances from economic centres, higher fuel prices and limited local services and amenities can make rural living a...
challenge. Together they can make the experience faced by those living in poverty in rural areas more intense. **While deprivation may be more directly aligned with other Departments such as DWP we believe that because of the different rural experience of deprivation and disadvantage, which Defra is most likely to better understand, rural deprivation should be a policy focus for the RCPU. In addition, the implications of an ageing rural population mean that if healthcare is not already included within the services priority then the RCPU should add it as an additional policy focus.**

**Transparency, accessibility and expertise**

237. With the demise of the Commission for Rural Communities, an independent critical voice has been lost. One of the roles set out for the RCPU is to “champion rural issues across government”.332 Inevitably perhaps for a body within government there is concern that the RCPU “may be starting to become an uncritical advocate of government manifesto commitments, and less a supporter of appropriate solutions for rural areas”.333 Neil Sinden, CPRE, told us the “Commission previously were able to investigate issues that they felt were significant and bring those issues to the attention of Government in a way that I do not think the unit is necessarily going to be easily able to do. Simply in terms of resourcing there are vastly fewer resources both in terms of staff and finance.”334

238. The lack of resource of the RCPU, compared with that enjoyed by the CRC, may explain what a number of our witnesses identified as a lack of visibility of the unit. Comments we received included “little printed coverage of RCPU work in traditional farming press”,335 “many in rural areas have little, if any, knowledge of the RCPU”,336 and “they do not have a clear programme of works ... information posted online is basic”. The RCPU needs to improve its transparency to ensure more people are better aware of its existence, its priorities and its work programme. That is not to say the RCPU is being deliberately secretive or less open than it might be. People we spoke to were universal in praise of their dealings with staff of the unit and their expertise. They have “engaged openly with rural stakeholders”, “been approachable, transparent and supportive”337 and “shown considerable willingness to field officials to speak at local meetings and conferences”.338 Organisations also welcomed the presence of the unit within government as it allowed dialogue with a body that has the ear of Ministers.

**Rural Statement**

239. In its response to our *Farming in the Uplands* Report the Government stated that before summer 2011 it would publish a Rural Policy Statement which “will provide further information about its plans to address rural needs and interests over the rest of this

332  HC Deb, 1 April 2011, col 41WS
333  EV w34 [ACRE]
334  Ev 96 [CPRE]
335  Ev w21 [ALA]
336  Ev 104 [CLA]
337  Ev 111 [NFU], Ev 101 [Calor Gas] and Ev w7 [Quantera Ltd]
338  Ev w7 [Quantera Ltd]
The Statement was finally published over a year later in September 2012 after the Government prioritised producing the Rural Economy Growth Review. The Statement brought welcome attention to rural issues which were absent in Defra’s overall departmental business plan.

240. According to Defra the Statement “underlines our commitment to Rural England. It reflects our vision for successful rural businesses and thriving rural communities. The Statement paves the way for a refreshed and reinvigorated approach to rural proofing of Government policy.” Much of the Rural Statement is a recap of existing policies. At the LGA annual conference the Secretary of State described it as a “‘useful bible’ for galvanising how Defra is working with others across government to make the rural economy more prosperous”. ACRE considered it:

A simple rehearsal of government manifesto policies, regardless of their role and relevance to rural areas. [...] The widespread reaction of rural stakeholders was to express concern that RCPU were appearing to support, for instance, the advent of free schools and community organisers as potential positive solutions to rural community challenges, when they are likely to have a distinctly negative impact. We, and others, will be looking for a more discriminating approach to the work of the RCPU in practice.\footnote{Ev 34 [ACRE]}

241. A number of commentators also questioned the lack of emphasis on the natural environment, particularly its role in the sustainable economic recovery of the countryside and that of rural communities in maintaining and protecting it.\footnote{For example the RSPB, Cumbria Council, and CPRE} The theme of growing an economy by investing in nature that ran through the earlier Natural Environment White Paper, was absent from the Rural Statement.

242. The Secretary of State described the Rural Statement as a “contract to give rural areas the power to hold us to account on our promise” but measurable targets are conspicuously absent.\footnote{Defra press release, New ‘contract’ to give rural communities power to hold Government to account on rural growth, 12 September 2012} Neil Sinden, CPRE, told us that it did not provide “an adequate basis upon which we can measure effectiveness or success of Government policy in relation to rural development and rural community issues.”\footnote{Q 384} While Professor Shucksmith suggested there was “a certain air of unreality about it because it presented all these initiatives without any recognition, any acknowledgement, of the changing context around them. For example, ... there are mentions of new pots of money for affordable rural housing and no mention of the collapse in house building.”\footnote{Q 288}

243. We welcome the Rural Statement. Its publication brought much needed attention to rural issues. It is disappointing that it was principally a collection of existing measures and lacked the ambition to look toward possible future policies such as those discussed in the

\footnote{Environment, Food and Rural Affairs Committee, Farming in the Uplands: Government Response to the Committee’s Third Report of Session 2010-11, Fourth Special Report of Session 2010-12, HC 953}

\footnote{Ev w34 [ACRE]}

\footnote{For example the RSPB, Cumbria Council, and CPRE}

\footnote{Defra press release, New ‘contract’ to give rural communities power to hold Government to account on rural growth, 12 September 2012}

\footnote{Q 288}

\footnote{Q 384}
Natural Environment White Paper. We also question whether all of the policies referred to in the Statement were particularly relevant to rural life. The final sentence of the Statement described it as a “contract with rural areas, so they can hold us to account” yet it included no targets by which performance could be judged.

244. In its response to our Uplands report the Government told us that it intends to publish regular updates of the Rural Policy Statement, including details of the work of the Rural Communities Policy Unit and, where appropriate, progress reports on the impact various government policies and programmes have had upon rural residents, communities and businesses. When it is next updated we expect to see a more ambitious Rural Statement that includes reference to the RCPU’s policy plans for the future. The Statement must also include some key performance outcomes so that rural areas can hold the Government to account. Such indicators might include figures on rural GVA, rural deprivation, the numbers of rural pubs and shops, and feedback from rural stakeholders.
10 Conclusion

245. We have set out to assess how effective Defra and its Rural Communities Policy Unit have been at championing rural issues across Government to achieve the “fair, practical and affordable outcomes for rural residents, businesses and communities” that was set out as a target for the RCPU when its creation was announced to the House.\(^3\)\(^4\)\(^5\) The RCPU faces a difficult task if it is to meet this target. Too often Government policy has failed to take account of the challenges that exist in providing services to a rural population that is often sparsely distributed and lacks access to basic infrastructure. Across a wide range of areas—from local government funding to access to broadband, from affordable housing to transport provision and fuel—rural areas have found themselves disadvantaged compared with their urban counterparts. On some of these issues the Government is investing heavily to address the imbalance such as in rolling out rural broadband, but in others, such as local government funding, the Government could and should do better.

246. The demography of rural areas is changing. Young people are moving to towns and cities in increasing numbers with people of retirement age taking their place. This can present opportunities—older residents are typically more likely sit on parish councils and be involved in community projects and third sector work, for example—but the loss of people of working age and young families presents many challenges. How well Government responds to the changing demography of rural areas is crucial to ensuring their sustainability. The work of the RCPU is a vital part of this policy response.

247. Analysis and monitoring of rural conditions is an essential function of the RCPU and how well it presents that data across government can be a crucial factor in shaping policy. Throughout this inquiry we have been impressed by the expertise and accessibility of the RCPU but we believe its impact is constrained by a lack of resources. It is disappointing the RCPU operates with significantly less resources than the CRC, from whose abolition it was partly created.

248. The CRC had a statutory remit to act as an adviser, advocate and watchdog to Government over issues of disadvantage in rural communities. Such a focus must not be lost with its demise. As the recent Ofsted report on the achievement of the poorest children in education makes clear, areas where the most disadvantaged children are being let down by the education system are no longer deprived inner city areas; instead the focus has shifted to deprived coastal towns and rural, less populous regions of the country.\(^3\)\(^4\)\(^6\) Ofsted chief inspector Michael Wilshaw commented at the launch of the report that:

> Often they are spread thinly, as an “invisible minority” across areas that are relatively affluent. We need new policies and approaches to deal with underachievement in these areas.\(^3\)\(^4\)\(^7\)

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\(^3\)\(^4\)\(^5\) HC Deb, 1 April 2011, col 41WS
\(^3\)\(^4\)\(^6\) Ofsted, *Unseen children: access and achievement 20 years on*, June 2013
\(^3\)\(^4\)\(^7\) Ofsted press release, *Too many of England’s poorest children continue to be let down by the education system*, 20 June 2013
249. This supports the evidence we received. Cllr Begy considered that Government needs to recognise “that there is deprivation outside of urban areas [...] we have less major, identifiable pockets of deprivation. We have that same deprivation”. It is encouraging to see poverty and deprivation recognised in the Rural Statement despite the lack of targeted approaches to combat them. In response to this Report Defra must set out what steps it is taking to combat poverty and deprivation in rural areas and how it is ensuring that pockets of rural deprivation that might otherwise be overlooked in official statistics are being recognised across government.

250. Rural communities should not be seen as helpless victims whose woes can only be solved by others. Many of the most valuable initiatives to rural communities have started within communities themselves rather than as a response to government policy. The Government is devolving more powers to communities to enable them to have greater influence over their future. We support these moves and believe many rural communities are well placed to respond but the Government must also ensure that those communities that may lack the confidence and capacity to help themselves are provided with the support to do so.

251. In 2007, the CRC considered the untapped economic potential of rural areas might be worth £347 million if more policies supported rural economic development. The Government has clearly recognised this and has specific policy measures in place aimed at growing the rural economy. For those policies to be successful a number of barriers to growth need to be overcome, primarily access to finance and effective broadband. The roll-out of broadband is under-way but the impact of efforts to increase access to finance for rural businesses is less clear. The Government needs to ensure that initiatives that offer support to businesses, such as the proposed business bank and the Single Local Growth Fund, are as available to rural businesses as they are to their urban counterparts.

252. In this Report we focus on those areas where policy intervention has been lacking or is insufficient. We do not wish to give the impression that rural areas are not wonderful places in which to live. According to the latest Countryside Living Index 31% of people in rural communities profess to ‘loving’ their neighbourhood compared with 16% of city dwellers. Positives for rural living include the quality of the environment, a greater sense of community and a healthier lifestyle.

253. Rural areas have much to contribute to the financial and spiritual well-being of the country. The task for Defra and the Rural Communities Policy Unit is to ensure they have the means to achieve this. While our Report is to Defra our conclusions and recommendations are for the whole of Government. Defra should take the lead in coordinating and producing a government response that includes feedback from the relevant departments where appropriate to do so.

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348 Q 330

349 Evw7 (Quantera Ltd)
Conclusions and recommendations

Rural funding

**Local government finance settlement**

1. Sparsity of population makes it more expensive to provide services in rural areas than urban areas. Yet, despite this, urban areas—as defined by the Government—receive 50% more funding per head than rural areas. Part of this disparity of funding results from the process of ‘damping’ in the spending settlement. The Government needs to recognise that the current system of calculating the local government finance settlement is unfair to rural areas and that the disparity must be reduced. The Rural Fair Share Campaign calls for the disparity to be reduced to 40% by 2020. We agree and recommend the Government factors this target into future spending settlements. (Paragraph 8)

2. Defra needs to work closely with the Department for Communities and Local Government to ensure future local government finance settlements reduce the rural penalty. They must use an agreed definition of rurality to achieve this goal. (Paragraph 10)

3. While the £8.5 million ‘efficiency support’ payment is welcome, such a payment does not address the underlying problems in the current system for allocating funds through the local government finance settlement. (Paragraph 12)

**Retention of business rates**

4. The Rural Communities Policy Unit must monitor the impact of the business rates retention policy on rural local authorities and raise any adverse consequences with Ministers in both Defra and DCLG. (Paragraph 15)

**School funding**

5. Local authorities are better placed than central government to judge the support rural schools require yet the changes for 2014-15 prevent local authorities from having the flexibility to do this. This is a backward step and we recommend the Government reverts to its previous position of allowing local authorities to vary funding according to need rather than using a centrally derived formula. The change we recommend is cost-neutral and in line with the Government’s agenda of localism. We welcome sparsity funding in principle, but introducing ‘as the crow flies’ distances adds unnecessary complexity. The option of sparsity funding should be retained but local authorities must be given more flexibility to decide the criteria used to apply to it. (Paragraph 23)

6. The scope of the pupil premium entitlement should be extended to target more children who live in poverty than are included in the current measures that determine eligibility for free school meals. (Paragraph 25)
Healthcare funding

7. Given the difference in experience of health services between urban and rural areas, the unequal funding allocation and the increasing age of rural populations, we believe rural healthcare should be a top priority for Defra Ministers. (Paragraph 30)

Broadband and mobile

Rural Broadband Programme

8. The Universal Service Commitment (USC) of 2Mbps is a big step forward for households and businesses currently with no or slow broadband. This part of the rural broadband programme is crucial and it should not be undermined by the ambition to roll out superfast broadband to those who already enjoy an adequate service. It must be the priority, particularly if there is a risk of funding not stretching as far as originally hoped. However, given the delays to the Rural Broadband Programme, the Committee is unclear when those currently without any access may benefit. 2Mbps must also be the minimum speed that users receive during periods of peak demand, not a headline ‘up to’ figure that is rarely achievable. (Paragraph 40)

9. As part of the 2Mbps roll out, if communities wish to put in place an alternative scheme that offers better broadband than the USC would offer then they should receive every encouragement and support from Government to do this—including any funding originally intended to help those communities meet the USC. (Paragraph 41)

10. The USC should include a minimum upload speed target set at a level that meets the needs of SMEs and consumers. The Government-funded infrastructure must also have the capacity to allow such a speed to be achievable at times of peak demand. (Paragraph 43)

11. In response to this Report the Government should set out how many households and businesses are not going to be covered by the roll-out of 2Mbps broadband under the Rural Broadband Programme, and the reasons for this. (Paragraph 44)

12. BDUK and Ofcom should consider requiring BT, where it is in receipt of state aid, to disclose its costs in a way that permits comparison across contracts. Without such transparency it is difficult to see how value for money can be guaranteed, particularly now that the only competitor to BT has effectively ruled itself out of the bidding process. (Paragraph 52)

Rural Community Broadband Fund

13. It remains disappointing that payment under the Rural Community Broadband Fund is available solely on evidence of past expenditure. The grant should be there to help communities to roll out broadband infrastructure, not just a means of recovering some of the costs afterwards. (Paragraph 55)

14. The Rural Community Broadband Fund is an important lever in the roll-out of superfast broadband to the hardest to reach 10%. It is therefore disappointing that so
little money, less than 2% of government’s overall funding for broadband, has been made available to encourage and support innovative community-led solutions in these rural areas. Defra should expand the scope of the RCBF when the next round of RDPE funding is available. (Paragraph 59)

**Beyond 2015**

15. The Government should draw on lessons from the Rural Community Broadband Fund and use the funding from the BBC as a lever to encourage private and community sector capital and expertise. As a pre-requisite, the Government must publish details showing precisely what areas will be covered by BT and when, in order to encourage alternative providers to fill in the gaps and prevent bodies in receipt of public money competing with each other. We have already stated our belief that the RCBF should provide up-front support to projects and this should also be the case in the application of the funding from the BBC. (Paragraph 65)

**Mobile Infrastructure Project**

16. The lack of mobile coverage in large parts of rural Britain is unacceptable and we welcome the Government’s commitment to go some way to addressing this problem through the Mobile Infrastructure Project, although it is disappointing that the ambition of the scheme has been scaled back from that originally announced. We are concerned that in focusing on reducing the number of premises in ‘not-spots’, which may already have landline access, large parts of the countryside and those who work in it may still be left without access to mobile technology. The Government must set out what improvement in geographical coverage the Government foresees as a result of the £150 million initiative. (Paragraph 70)

**The rural economy**

**Planning and rates**

17. The measure to exempt new-built commercial property from empty property rates is currently out to consultation but it has our full support and we hope to see it implemented in October 2013 as envisaged by the Chancellor. (Paragraph 79)

18. To promote rural economic growth, we urge local authorities to take action to reassure themselves that businesses in their area are in receipt of all of the business rate reliefs for which they are eligible. We accept that there is a squeeze on local authorities’ finances but we urge them to make as much use of the discretionary element of rural rate relief as possible to support those rural businesses critical to the vibrancy of rural life. (Paragraph 81)

19. We welcome the Government’s ambition to create a simpler planning system that will support sustainable rural economic development. For it to be effective local councils must work pro-actively with local businesses that wish to expand or diversify. Councils must move away from the tick box system of the past to one where the planning officer is an adviser helping a business build its confidence and prospects. The free planning advice service that has been made available to
businesses in Rural Growth Networks is an excellent example of the Government listening to the concerns of business and putting policy in practice. (Paragraph 86)

**Lack of finance**

20. The Government must ensure that provision of banking services to rural communities is included in any programme to increase competition in the banking sector. (Paragraph 94)

21. We welcome the Government’s proposal to create a business bank to increase access to finance for small and medium sized businesses. Small businesses are the lifeblood of the countryside. In developing the business bank we urge the Government to ensure that businesses from rural areas will be able to benefit just as much from its creation as their urban counterparts. (Paragraph 96)

**Rural Economy Growth Review**

22. The Rural Economy Growth Review should not be seen in Government as purely a Defra initiative. Lessons learnt from the Review must be translated into policy influence across government. (Paragraph 98)

23. When more money becomes available through the next round of Rural Development Programme the RCPU should extend the current scheme and explore whether there is a need to create an additional scheme aimed at supporting businesses that require grants of less than £25,000. (Paragraph 101)

24. The Government should consider creating a Rural Growth Network that has supporting young people who face specific barriers to employment, education and training, as its focus. (Paragraph 105)

25. In response to this report Defra must set out what steps it is taking under the measures set out in the Rural Economy Growth Review to increase the number of people from under-represented groups who access the natural environment. (Paragraph 109)

**Local Enterprise Partnerships**

26. It is important that the Government puts in place safeguards to ensure that LEPs’ focus and funding is of benefit to all parts of the country, not just urban areas. Their performance must be measurable and clear to the communities they serve. The RCPU should lead on this work and in response to this Report set out how it will make sure that the work of LEPs is robustly rural proofed. (Paragraph 115)

27. We are concerned that micro- and small businesses characteristic of rural areas might be overlooked by the LEP structure, Defra must work with BIS to ensure this is not the case by advocating a closer working relationship between LEPs and their local rural and farming network. Defra also need to ensure that there is no disconnect between the work of LEPs and other rural bodies that have a role in economic development such as AONBs, local action groups, community councils and Local Nature Partnerships. Finally, the RCPU, through its LEP roundtables,
must be a strong advocate not just for the rural economy but for the social and environmental needs of rural communities as well. (Paragraph 116)

Housing

28. We urge the Government to consider whether local authorities should be allowed to invest in housing under normal borrowing guidelines. If the Government opposes this suggestion it must set out why. (Paragraph 121)

Affordable Homes Programme

29. The problem of lack of affordable housing in some rural areas is so acute that we do not believe that the Affordable Homes Programme up to 2015, which aims to develop 8,000 homes among 16,000 rural communities, will be sufficient in scope to make a meaningful impact, particularly in those areas with the highest numbers of households in temporary accommodation such as the southwest of England. The Government has allocated a further £3.3 billion to the Affordable Homes Programme from 2015 onwards—we expect a larger proportion of this money to be spent in rural areas than has happened in the current spending round. (Paragraph 127)

30. We expect the Rural Communities Policy Unit to monitor the progress of the Affordable Homes Programme and work with the Homes and Communities Agency to ensure a minimum of 10% of homes built under this Programme are in those rural settlements identified in the Taylor Review as most in need. We expect to hold Defra to account should the proportion fall below the 10% threshold. (Paragraph 128)

Affordable Rent Model

31. The Affordable Rent policy which increases rents on the least well off in society in order to compensate for a marked reduction in funding from central government is one which gives us concern, particularly for rural areas where the cost of living is already high. Affordable rents, tagged at up to 80% of market rent, means homes will remain unaffordable to many rural workers. The RCPU has a crucial role in monitoring the outcome of the affordable rent model in rural areas and must seek amendment to the policy if it is found to be failing to assist those in rural housing need. (Paragraph 130)

Right to Buy

32. The RCPU must monitor the impact of Right to Buy on rural areas, particularly National Parks, and if necessary put the case for them to be exempt from this scheme. (Paragraph 134)

Under-occupancy

33. It is difficult to see how the under-occupancy policy, which might cause key workers to leave areas where they perform a vital role, and force children to move schools, is of benefit to rural communities. Settlements of fewer than 3,000 people, the same
threshold as the Right to Acquire scheme, should be excluded from the under-occupancy policy. (Paragraph 137)

**Rural Exception sites**

34. The importance of rural exception sites to rural areas should be reflected in national housing policy. They are not going to solve the problem of lack of housing in rural areas on their own, but we wish to see the RCPU work with Department for Communities and Local Government and local councils to explore whether more homes might be made available under such schemes. (Paragraph 145)

**Neighbourhood planning**

35. Ongoing support for communities developing neighbourhood plans, particularly those that lack the capacity, expertise and finance to undertake this work, is crucial if the process is going to deliver the benefits communities have been led to expect. Through its rural networks Defra has a role to ensure that this vital support is available. Defra must also set out how it intends to monitor the neighbourhood planning process to ensure it does not have the unintended consequence of increasing inequality both within and between rural communities. (Paragraph 153)

36. Despite its benefits, neighbourhood planning will not always be the most effective option for communities to choose to achieve the desired result. Where the community and the local planning authority are in agreement, there are better approaches which avoid the cost of neighbourhood planning and are less onerous. Defra must ensure that communities receive unbiased advice and only choose the neighbourhood planning option where it is in their interest to do so. (Paragraph 154)

**Second homes**

37. People should not be prevented from buying second homes but we believe there is merit in the RCPU exploring options that may make the process either less attractive for the second home owner or more beneficial for the rural community or both. To reflect local circumstances implementing such options must be at the discretion of the local authority. (Paragraph 159)

**New Homes Bonus**

38. Urban areas already receive 50% more in local government funding than rural areas. We have made it clear that we wish the Government to reduce this gap but the New Homes Bonus has the potential to widen it further. The RCPU should monitor the impact of the New Homes Bonus on rural areas and seek urgent amendment if it is found to be putting rural areas at a disadvantage. (Paragraph 161)

**Help to Buy**

39. Assuming uptake from lenders, the Help to Buy scheme will offer some help to those wishing to purchase a home. However, it may also cause house prices to rise further.
Unaffordability of housing is an acute problem in rural areas and we question the merit of a scheme that has the potential to make the situation worse. The Government’s focus must be on measures to increase supply. (Paragraph 163)

**Fuel poverty**

40. It is disappointing that off-grid households are being prevented from accessing the same incentives and finance to improve their properties as on-grid households. We look to the RCPU to rural proof energy efficiency policies and see that the bias against rural communities is removed. (Paragraph 174)

41. Collective buying groups have the potential to reduce energy bills for our rural communities. We are encouraged by the steps Defra has taken to support those communities wishing make use of the benefits of collective buying power. In order to be able to judge the effectiveness of this approach, Defra should set out how many communities have set up oil-buying groups since 2011-12 in its response to this Report. (Paragraph 177)

**Rural Transport**

**A strategic policy**

42. The Government must develop a strategic policy aimed at reversing the trend of declining accessibility to key services for people living in rural areas. As the Department responsible for rural affairs, Defra has a key role in developing this policy. The policy should be an expansive vision that includes multimode approaches to regional rural transport. As part of this work, Defra should liaise with bodies such as the Association of Train Operating Companies, Network Rail, Local Enterprise Partnerships and the Department for Transport to explore improving rail connectivity within rural areas. (Paragraph 181)

43. Defra should work with local authorities and LEPs to support actively those rural communities wishing to maintain or improve their rail access. As part of this, Defra should consider whether RDPE funding might be made available to support rural communities that are successful in the existing round of the New Station Fund (and future rounds should the Fund be extended), in order to help create successful local transport hubs. Such work should be incorporated in a nationwide strategy for rural transport. (Paragraph 182)

**Community transport**

44. When the next update of the Rural Statement is published we expect it to include the steps the Government is taking to follow up on the concerns and opportunities identified during the production of the 2012 CTA State of the Sector Report. This work must include an evaluation of the outcome of cuts in the Bus Service Operators Grant on community transport as well as consideration of how changes to the bus subsidy system will impact on that sector. (Paragraph 191)
45. We also expect Defra to work with rural and transport practitioners within local authorities to ensure that where a rural bus service is targeted for closure, alternative community-led schemes are actively pursued and supported where demand is demonstrated. Such community-led schemes, as well as other transport services, should not ignore the needs of the labour market in favour of other requirements. (Paragraph 192)

**Concessionary fares**

46. We believe there is a need for the Government to review the current mandatory nationwide concessionary fare system. In line with the Government’s decentralising agenda the review should consider whether locally led solutions offer a better means of safeguarding services and generating growth. Protecting the vulnerable should be at the heart of any proposed reform to the system and allowing elderly and disabled people to gain concessions on services provided by the community transport sector must be considered. (Paragraph 194)

**Wheels to Work**

47. Defra should work with the DfT and DWP as well as local authorities and civil society groups to ensure that schemes—such as Wheels to Work—that enable young people to get to work, training and education do not falter through lack of funding. Where necessary, alternative sources of funding should be explored including loan finance from Big Society Capital and other social investment bodies for the third sector. (Paragraph 195)

**Fuel prices**

48. In addition to maintaining the freeze on duty the Government should continue to explore other options to address the high cost of fuel in rural areas. This should include continuing work on the possibility of introducing fuel duty discounts in the more remote parts of the United Kingdom that do not have easy access to the cheaper fuel available at supermarket-tied filling stations. The Government should report back on this issue no later than next year’s Budget. (Paragraph 201)

**Reducing car dependency**

49. As part of a strategy on rural transport the Government, and its delivery bodies such as Local Enterprise Partnerships, must consider measures that reduce car dependency. More needs to be done to create rural transport hubs. Buses that link up with rail services to enable people to get to work and education should be the norm not the exception. Encouraging increased take-up of cycling must also form part of a rural transport strategy. This should include the provision of safe, dedicated cycle paths along key commuter routes and secure storage facilities at bus and railway stations. (Paragraph 203)
Empowering communities

Community Rights

50. The new Community Rights are welcome additional tools to allow communities to shape their future development. However, giving communities these rights does not mean that it will be appropriate in all cases for communities to exercise them to achieve the desired outcome. The Government should promote the new powers it has created but it must not push communities into using them unnecessarily, particularly if the outcomes can be better achieved using existing tools. Some of the new rights are costly to implement and are not without risks. It is crucial that communities receive impartial advice and the Government must do better to ensure this is the case. (Paragraph 211)

Retaining services

51. The Government is not doing enough to promote the benefits of community ownership and the role community-owned enterprises, social enterprises and cooperatives can have in growing the rural economy—especially in our more isolated communities. A firm endorsement of this type of enterprise in policy and planning guidance will have a positive impact on the attitudes of public bodies, particularly local planning authorities and LEPs. Such an approach is consistent with the Government’s stated objectives of promoting action driven by civil society rather than reliant on the public sector. As part of an increased emphasis on the benefits of community ownership, the Government must do more to promote the Community Right to Build scheme as a means to help communities build or retain amenities such as village shops. (Paragraph 214)

52. During development of the new Rural Development Programme Defra should explore how Leader can be used better to help those communities looking to retain services that are under threat. However, no amount of support will make a local shop, pub or other service viable if communities do not use them. (Paragraph 217)

Collective action

53. We recommend the RCPU put in place a programme to support communities wishing to come together to realise the benefits that collective action can bring. (Paragraph 218)

Unequal capacity

54. As take-up of neighbourhood plans demonstrates there is a risk that if the state passes power and responsibility to local communities some will rise to the challenge but some will not. Inequality within rural areas may increase as a result. We welcome funding from Government to help communities get initiatives off the ground but funding must also be directed at professional community support organisations. Without the encouragement, hands-on support and resources of such organisations, many communities may miss out on the opportunity to have a say in their future. (Paragraph 222)
Rural Communities Policy Unit

Rural proofing

55. We recommend that all policies be subject to rural proofing, unless a case can be made that it does not apply. Action taken to ensure fair rural outcomes must be reflected in a policy’s Impact Assessment so that rural stakeholders can see that their needs have been accounted for. Where applicable, the impact assessment process must include consideration of the rural premium that exists in delivering services in rural areas. (Paragraph 227)

56. We agree that Defra should review rural proofing annually. The review must acknowledge where it has failed to secure rural fairness as well as the successes it has achieved. It seems sensible to us for that review to be included in Defra’s Annual Report and Accounts in line with the guidance for other government departments. (Paragraph 229)

Engagement

57. While we consider that the network of bodies with which the RCPU maintains a structured relationship constitutes a comprehensive engagement framework, we believe that including rural practitioners in local authorities in that structure would be mutually beneficial. (Paragraph 233)

RCPU’s priorities

58. While deprivation may be more directly aligned with other Departments such as DWP we believe that because of the different rural experience of deprivation and disadvantage, which Defra is most likely to better understand, rural deprivation should be a policy focus for the RCPU. In addition, the implications of an ageing rural population mean that if healthcare is not already included within the services priority then the RCPU should add it as an additional policy focus. (Paragraph 236)

59. When it is next updated we expect to see a more ambitious Rural Statement that includes reference to the RCPU’s policy plans for the future. The Statement must also include some key performance outcomes so that rural areas can hold the Government to account. Such indicators might include figures on rural GVA, rural deprivation, the numbers of rural pubs and shops, and feedback from rural stakeholders. (Paragraph 244)

Conclusion

60. In response to this Report Defra must set out what steps it is taking to combat poverty and deprivation in rural areas and how it is ensuring that pockets of rural deprivation that might otherwise be overlooked in official statistics are being recognised across government. (Paragraph 249)
Annex: Defining rural areas

Defra’s Statistical Digest of Rural England describes two ways of defining areas as rural or urban. The Rural-Urban Definition is a National Statistic and applies to very small areas. The Definition defines areas as rural if they fall outside of settlements with more than 10,000 resident population.

The Definition defines four settlement types:

- Urban (more than 10,000 population)
- Rural town and fringe
- Rural village
- Rural hamlet and isolated dwellings (also known as dispersed).

Each of these settlement types are given a ‘context’ of either ‘sparse’ or ‘less sparse’ depending on whether the wider area is defined as being remotely populated or not.

When data are not available at a small enough geographical scale to apply the Definition, it may be possible to apply the Local Authority Rural-Urban Classification (known as the LA Classification). This Classification categorises districts and unitary authorities on a six point scale from rural to urban. It is underpinned by rural and urban populations as defined by the Definition.

However in the context of areas the size of local and unitary authorities, it also considers some urban areas as Large Market Towns. These Towns serve a wider rural hinterland and their populations are therefore classified as rural for the purposes of the Classification. The Market Towns have populations between 10,000 and 30,000 and meet various service criteria.

The categories of the Classification are:

- Major urban (MU)—districts with either 100,000 people or 50 per cent of their population living in urban areas with a population of more than 750,000.
- Large urban (LU)—districts with either 50,000 people or 50 per cent of their population living in one of 17 urban areas with a population between 250,000 and 750,000.
- Other urban (OU)—districts with less than 26 per cent of their population living in rural settlements and larger market towns.
- Significant rural (SR)—districts with between 26 and 50 per cent of their population living in rural settlements and larger market towns.
- Rural-50 (R50)—districts with at least 50 per cent but less than 80 per cent of their population living in rural settlements and larger market towns, and
- Rural-80 (R80)—districts with at least 80 per cent of their population living in rural settlements and larger market towns.

When categories of the six-way LA Classification are combined to produce overall rural and urban estimates, Rural-80 and Rural-50 areas are combined to produce ‘Predominantly Rural’ areas. Major Urban, Large Urban and Other Urban areas are grouped together under ‘Predominantly Urban’. Significant Rural areas remain the same, and separate from the other two categories. This is because the areas do not have a majority (predominantly) rural population, but they are seen as having a substantial enough proportion of their population in rural areas to be considered separately from the predominantly urban group.

- Predominantly rural: areas with more than 50% of their population living in rural areas or large market towns

- Significant rural: areas with between 26 and 50 per cent of their population living in rural settlements and larger market towns.

- Predominantly urban: areas with less than 25% of their population living in rural areas or large market towns.
Draft Report (Rural Communities), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 253 read and agreed to.

Annex agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report in addition to that ordered to be reported for publishing on 17 October 2012 and 23 January, 6 February and 26 June 2013.

[Adjourned till Wednesday 17 July at 2.30 pm]
Witnesses

Wednesday 7 November 2012

Dr Adam Marshall, Director of Policy, British Chambers of Commerce; and Paul Johnson, Chair, Swindon and Wiltshire Local Enterprise Partnership

Gillian Elliott, Acting Assistant Director, Economic Development, Cumbria County Council; Helen Wright, Rural Policy and Partnerships Manager, East Riding of Yorkshire Council; and Councillor Keith House, Deputy Chair, Environment and Housing Board, Local Government Association

Wednesday 28 November 2012

George Dunn, Chief Executive, Tenant Farmers Association; Harry Cotterell, President, Country Land and Business Association; and David Collier, Chief Rural Affairs Adviser, National Farmers Union

John Moore, Chief Executive, Nynet; and Malcolm Corbett, Chief Executive, Independent Networks Cooperative Association

Mr Ed Vaizey MP, Minister for Culture, Communications and Creative Industries, and Dr Rob Sullivan, Chief Executive, Broadband Delivery UK (BDUK), Department for Culture Media and Sport

Wednesday 12 December 2012

Holly Sims, Corporate Affairs Manager, Calor Gas Limited

John Slaughter, Director of External Affairs, Home Builders Federation; Graham Biggs MBE, Chief Executive, Rural Services Network; and Sue Chalkley, Chief Executive, Hastoe Housing Association

Wednesday 9 January 2013

Tony Gates, Chief Executive, Northumberland National Park Authority; Paul Hamblin, Director, English National Park Authorities Association; and Neil Sinden, Policy and Campaigns Director, Campaign to Protect Rural England

Councillor Roger Begy OBE, Leader of Rutland County Council and Chairman of the Rural Services Network; and Sonia Mangan, Chief Officer, Age UK South Lakeland

Wednesday 16 January 2013

Keith Halstead, Chief Executive, Community Transport Association

Mike Perry, Head of Communication, Plunkett Foundation; and Professor Mark Shucksmith OBE, Director, Newcastle Institute for Social Renewal, Newcastle University
Wednesday 16 January 2013

Richard Benyon MP, Parliamentary Under-Secretary for Natural Environment, Water and Rural Affairs, and Sara Eppel, Head, Rural Communities Policy Unit, Defra

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List of printed written evidence

Calor Gas Ltd  Ev 101
Campaign to Protect Rural England  Ev 96
Community Transport Association UK  Ev 113
Country Land and Business Association  Ev 104; Ev 107; Ev 109
Cumbria County Council  Ev 93
Defra  Ev 115
East Riding of Yorkshire Council  Ev 92
Hastoe Housing Association  Ev 92
Home Builders Federation  Ev 127
National Farmers Union  Ev 110
Plunkett Foundation  Ev 90
Rural Services Network  Ev 98
Professor Mark Shucksmith OBE  Ev 128

List of additional written evidence

(published in Volume II on the Committee’s website www.parliament.uk/efracom)

Action with Communities in Rural England (ACRE)  Ev w32; Ev w34
Agricultural Law Association  Ev w21
Basingstoke & Deane Borough Council  Ev w1
BT Group plc  Ev w53
Commission for Rural Communities  Ev w12
Consumer Focus  Ev w48
Cornwall Council  Ev w27
Countryside Alliance  Ev w19
County Councils Network  Ev w42
James Derounian  Ev w55
Devon County Council  Ev w2
Dispensing Doctors’ Association  Ev w17
Federation of Small Businesses  Ev w32
Herefordshire Council  Ev w4
Involve Yorkshire and Humber  Ev w51
Northumberland County Council  Ev w30
Office of Fair Trading  Ev w2
Pitchup.com  Ev w56
Quantera Limited  Ev w7
Rural Coalition  Ev w44
Rural Cultural Forum  Ev w40
Scottish Agricultural College  Ev w24
Shropshire Council  Ev w10
Wiltshire Council  Ev w38
UKLPG  Ev w23
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Oral evidence

Taken before the Environment, Food and Rural Affairs Committee on Wednesday 7 November 2012

Members present:
Barry Gardiner (Chair)
Richard Drax
Neil Parish
Ms Margaret Ritchie

In the absence of the Chair, Barry Gardiner was called to the Chair.

Examination of Witnesses

Witnesses: Dr Adam Marshall, Director of Policy, British Chambers of Commerce, and Paul Johnson, Chair, Swindon and Wiltshire Local Enterprise Partnership, gave evidence.

Q1 Chair: Good morning, gentlemen. First, let me apologise on behalf of the Chair that she is not with us today; instead, you have me in the Chair. If you would like briefly to introduce yourselves, that would be helpful. I welcome the opportunity to talk about a variety of topics, in particular, the rural dimensions of development which is clearly an issue of great concern to the Committee.

Dr Marshall: I am Adam Marshall. I am Director of Policy and External Affairs for the British Chambers of Commerce, representing about 104,000 companies with five million employees.

Paul Johnson: Paul Johnson. I am currently Chairman of the Swindon and Wiltshire Local Enterprise Partnership, formerly in manufacturing as my career.

Q2 Chair: Thank you both for giving up your time to the Committee today. We are very grateful to you. Can I begin by just posing a couple of general questions? What do you see as the barriers to growth for businesses in the rural economy? Do those barriers vary depending on the size of the business? If you were trying to identify those sectors that had most potential for growth at the moment, what would they be?

Paul Johnson: If I could perhaps paint a picture of the Swindon and Wiltshire LEP area and the geography, that will help towards the answer. Wiltshire is, by any definition, a rural county. It has an average density of 141 persons per square kilometre, but the density within the county varies between over 2,000 persons per square kilometre in Salisbury and, in south Wiltshire rural areas, fewer than 55 persons per kilometre. There is, then, a wide diversity, first of all, in a rural economy. There are four principal settlements with populations of around 40,000, and there are 13 market towns with general sizes ranging between 10,000 and 25,000. The county has the large Salisbury Plain in the middle—"I always say we have as many tanks as tractors in the middle of the county—and we have three areas of outstanding natural beauty, 250 sites of special scientific interest, and 1,500 county wildlife sites and so forth. It meets the rural definition but, if you take that as a blanket definition across a rural area, it does not apply to any specific area. One of the difficulties with the rural agenda and your question about what the particular growth areas in a rural economy are, is that at one level they are the same as they are anywhere else, in that we are looking for growth industries and entrepreneurs with good ideas to support those directions. The county has 11% of its businesses in manufacturing. I am one of those businesses that are located there. There are many major businesses; names like Dyson will be familiar to everyone. These businesses have grown up in an environment which is, in fact, a series of townships and market towns, which perform a historical role of servicing the rural hinterland around them, though many without a market now. They still provide opportunities for growth and hub centres for development. Around them is a rural hinterland. One of the difficulties with the rural agenda is the assumption that ‘rural’ means ‘farming’. It does not mean that; it means that there are large, open spaces, which, largely, are like visiting the farmer’s manufacturing shop-floor. However, we have an ideal that that needs to be attractive countryside that we are driving through for other purposes, rather than seeing it as a manufacturing environment. First, there is a need not to generalise the rural agenda. If you look at the different definitions of the rural area, we talk about towns of perhaps 10,000 or smaller, which is not, of course, helpful. The big issue about towns in a rural environment is the transit time, the access time and the connectivity between them. Businesses that locate in small towns or more isolated towns have accessibility issues. Broadband is a huge issue throughout the whole LEP environment and it is no different in a rural environment; it is a strong lever towards opportunities in a rural environment. Businesses grow up in towns and areas based on entrepreneurs, their interests and their ability to access skills, importantly, and the market. Food and food manufacture is just a small part of that marketplace. My first, prime point, then, would be that there is a difficulty in understanding the rural agenda, and I believe that the recognition of localism and the need to have treatments in local areas that are different, depending on their natural geography, is a potential strength of the LEP structure. That is not best served by a national rural strategy that is cascaded down onto those quite different regions. We could go into a lot
of discussion about the difference between Cornwall and Wiltshire, for example. They are both rural but they have completely different issues and quite different opportunities.

Q3 Chair: You said they have different issues. You identified three potential barriers to growth that you have experience of in Wiltshire: transport, connectivity and broadband. Are they not shared more widely in other rural communities?

Paul Johnson: There is a need to understand what is happening in the rural community. There are a lot of not poor individuals in the rural community who are choosing to retire there or who enjoy being in that area, but they are not providing a contribution towards that local economy. There is an issue about serving isolated rural communities. If I keep my LEP hat on, we are about the economy and growth, so we do not really have an agenda about some of those isolated rural communities on their own, because they do not, frankly, offer opportunities in terms of economic growth, and we are looking at leveraging economic growth. We are looking at market towns and small towns as being essential parts of the economy, and the connectivity between those, which is extremely important.

Integration of transport is another huge issue. The move towards local transport bodies gives opportunities to deal with some local issues in the rural economies, but there is a conflict between some national rail objectives and those that we would want in a region. Assistance and focus on these would help. I have often referred to Wiltshire as a drive-through county, in that most of the road and rail networks go through the county rather than to the county, which is why we have made proposals and are on the way to getting a linkage of our principal communities with TransWilts Rail in a new franchise for the area. The point is that what is good connectivity regionally in the area, servicing those communities, is not aiding fast transit through to Cornwall in terms of access from London to Cornwall. We are, however, still in a position in those communities where it is easier and quicker to get to London than it is to travel from the north to the south of the county. Because of the road systems, it just takes longer. The connectivity between communities and the quality of the road systems—which some communities see as a defence against growth, I might say—are dilemmas and local issues that need some understanding.

Dr Marshall: I can agree with a lot of what Paul has just said. The very first thing that came to mind when you asked about the barriers specific to rural communities was, in fact, our findings from 2010–11 that many of the issues are generic issues facing business communities, whether they are urban or rural. So I would start with a point of agreement on that. When the Treasury and Defra decided to do a Rural Economy Growth Review as part of the Growth Review in 2011, half of me asked, ‘Why, because the issues you are going to come up with are the same?’ Indeed, when we took, with the aid of Shropshire Chamber of Commerce, for example, civil servants from Whitehall into the county to look at the issues facing businesses, on the train on the way back, of course, they remarked, ‘We hear a lot about these issues in other places too’. There are some generic barriers to doing business, which are perhaps accentuated in rural areas but are common to all. If I were going to raise five points—I will do it very quickly—complete agreement on digital and transport infrastructure would be the first. It is not always just broadband either; it is as simple as mobile-telephone services for businesses, particularly smaller businesses that are dependent on constant movement; and transport links, of course, making sure that the infrastructure is in the right place at the right time.

The second point is business premises. This is a massive issue: planning permissions for businesses, and growth businesses in particular, that want to expand. Also the change-of-use issue: when people have outbuildings on rural land that they want to convert into business premises, and some of the difficulties they have had with that. While we recognise the Government’s efforts to make that particular process easier, there are still plenty of local authorities up and down the land that have absolutely no interest in making the process easier, so I would raise that, as well as business rates, in terms of speculative business premises in these areas. Because of empty property rates, introduced by the previous Government and continued under this Government, you are not seeing some of the speculative space being built that could either be incubator space or follow-on space for some of the businesses of the future in these areas.

The third issue is access to skills and labour. Many rural businesses report to us constraints in terms of the labour market they are able to access. Some of that is down to the transport links; some is down to the long distances people have to travel to work. Quite a lot of it, however, links into my fourth barrier, which is affordability of housing. For so many of these private-sector businesses, in areas where the public sector has often paid better, being able to get access to a workforce locally that can afford the housing locally has been a major issue. I think the housing element of this is one that we ignore at our peril.

The fifth and final point—and perhaps the most difficult one under current circumstances nationally—is access to finance. I do not detect that a lot of the issues facing rural businesses are particularly different from those facing urban businesses in this context, but there is a sense in rural areas that it is just that little bit more difficult, because of lack of proximity, because of scarcity of particularly specialised personnel who deal with business banking on the ground. Getting access to finance can be a more difficult issue in some rural areas than it is in urban areas.

We asked the question to colleagues in the chambers in Suffolk, Norfolk, Dorset, the west of England, Lancashire and Shropshire, so it is a composite view from across the country, and whether the area in question was particularly successful, middle of the range, or struggling a bit, those were the uniform barriers that certainly came through.
Q4 Chair: It leads me on very nicely to the next question I wanted to put to you, which is precisely about that access to funding. Looking at a quotation from the British Bankers Association, David Dooks said that, “While the banks continued to maintain approval rates of more than 8 out of 10 lending applications, they received 20% fewer borrowing applications than in previous quarters, as business concerns about the economy and trading conditions persisted”. I am just wondering: is it that the finance really is not there for good projects that are coming forward, or is it that there is a reluctance in a recession, in a time of economic privation, for people to be willing to go to their banks and put forward schemes that, obviously, entail some element of risk to what capital they still have? Are the funding for lending and the forthcoming business bank schemes enough, in your view, to increase the availability of reasonably priced finance for rural businesses? What more could be done here? Where do you sit on this divide between “We are not getting the applications” and those who say “We are putting in the applications but nobody is giving us the money”? Paul Johnson: I would start with your question about supply and demand, and then I will come on to the schemes in a moment. The answer is both: there is both a supply problem and a demand problem. I can sit before you today and confidently say that, as the representative of a business organisation, which has been extraordinarily careful not to bash banks when talking about access-to-funding issues, there is an issue with demand, of course, because the cycle is at a low point, because there is uncertainty amongst many businesses. What the banks’ own research shows nationally, however, is that about one in eight businesses represent a form of discouraged demand. Those who want to go forward to borrow to grow, or to gain access to finance in order to grow, feel somehow that they do not want to go through the door of the bank, because they will either be refused or see some terms and conditions changed on their existing facilities.

There are plenty of businesses out there that are incredibly frustrated about this issue, particularly new and growing businesses. For those businesses, this is a supply issue. Those without a borrowing track record or those who are in a period of very quick growth are facing a true supply constraint. In many other parts of the economy, it is a demand issue. When demand does pick up again, the test will be whether the banks are willing to accommodate an increase in the flow of credit. I can understand the position the banks are in: they are being asked by the regulators, both domestically and internationally, to shore up their balance sheets. They are in a very difficult position. That brings me on to your second question, which is around the various Government schemes. We think this is where a business bank has an incredibly important role to play, and I think a business bank could do a lot of good, not just for businesses in urban areas but for businesses in rural areas as well. I do not expect it will have branches in the high street, whether in urban or in rural areas, but it will be a construct that enables businesses to have recourse to an alternative lender, if they do not get an answer or do not get the answer they wanted from their primary bank or facility. I think there is, then, potential in the business bank idea. The key here is implementation and delivery, and what I would want to be sure of, for the purposes of this Committee, is that access to that route is just as strong for businesses operating in rural areas as it would be for businesses operating in urban areas.

Q5 Chair: Do you think that the fact that banks are often operating in a monopoly environment in rural areas, where there are not the same six banks all located on the same high street that you would have in major conurbations, also tends to colour the way in which bank managers are going about lending?

Paul Johnson: I certainly think that a lack of competition in any local market creates great disquiet amongst businesses in that market. We see it in various places in various areas up and down the country. That is why, on the basis of members’ concerns, we advocate greater competition. It is a good thing, for example, when new entrants come into the market. I think that this Committee has something very interesting to investigate if it looks at the new challenger banks that are emerging and whether they are able to provide some of their services to businesses in rural areas as well as they are able to provide those services in urban areas, because, if you look at some of those new challenger banks that are coming together now, many of them are focusing—obviously, as a new and emerging business—on the biggest pool of business lending available to them, which would be in an area with bigger business concentrations.

Chair: Very good. Thank you very much. I want to turn now to one of the elements that I think we probably expected you to have raised in your hit list of barriers but that was not raised, and that is regulation.

Q6 Ms Ritchie: This is a question to both of you and it is about reducing regulation. The Government have identified cutting red tape as one of the key drivers to delivering growth in the economy. Therefore, are there any regulations that you consider to have a disproportionate impact on rural business?

Paul Johnson: I will start in a particular way. To carry on the assumption that there is no competition in the banking area, and that this reflects this area on policy, the problem locally is not that there is no competition, but a lack of local knowledge and risk. The old model had local bank managers who understood their businesses and understood when there were real risk environments and when not, and were better able to take reasonably small funding judgments with businesses. That flexibility has gone, so it is not a regulation issue, but the lack of availability to understand small risk locally has been an issue. I am not sure that there is an immediate solution to that, but it is quite clear that risk-taking is not part of the general banks’ view centrally. The banks tend to centralise more and, again, this understanding of the rural economy is poor.

In the question about planning regulation, there are lots of small things that can be done. Again, I would
Paul Johnson: There are some planning-regulation relation to the burden of regulation on rural areas. It is important that we try to hear what your view is in other areas, obviously, in further questions, but it is which is specifically about regulation? We will cover the Swindon part of the Swindon and Wiltshire LEP in terms of City Deals, it struck me very much that the type of initiatives that were being talked about there could be brought into a local rural economy, understanding the differences in the different parts of the economy. I do not think there is one overall regulation part. One of the responses we have had locally is that the front-end planning regulations have been eased, but, when you get right down to it, the ability to deal with planning applications in a timely manner, with the resistance that comes from the different areas in the rural environment— campaigners, and there is more of that going on now—makes it a very difficult environment. Those checks and balances are necessary for the economic agenda, so we have to accept that, but some of them still look inordinately difficult. I think I would look more towards some innovations in particular areas that could be brought into parts of the agenda. Just at this point, some clarity about national agenda issues for rural areas as against ones that could be taken locally. I would suggest, is something that the Committee could look at. If you take the Department’s title, I think the sub-sections are very well met in terms of there being a separation between food and farming, rural affairs and the environment. I think some mixed messages and conflicts are appearing in the policy and reactions in these areas, which are making it more difficult to deal with them, certainly at an economic level. The planning conflicts, for example, that come from those are quite difficult to resolve. If I could just expand on that slightly, if you take environment, the majority of the farming direction seems to be towards managing the landscape rather than delivering high-volume food generation. You may argue with that, but I am saying a lot of the areas are seen in terms of landscape management and the funding and support goes in that direction. There is a whole landscape/countryside-access/wildlife agenda and the addition of the local nature partnerships that are all dealing in this area, which is quite separate from the farming and food-chain agenda items. There, we would be looking for farming technology and a difference in approach perhaps. Denmark joined the EU at the same time as we did, but everyone knows about the Danish bacon branding, so those are central farming initiatives—

Q7 Chair: Sorry, Mr Johnson, could you just perhaps try to focus your answer in response to the question, which is specifically about regulation? We will cover other areas, obviously, in further questions, but it is important that we try to hear what your view is in relation to the burden of regulation on rural areas. Paul Johnson: There are some planning-regulation issues, on which I am not an expert. I get a lot of reactions from the local authorities and from businesses about that. Those are usually around the ability to develop existing rural locations that have an interesting to know if our colleagues in the local authorities in the devolved Administrations do a better job of this than they do in England, particularly in the south of England, where those complaints are most voluble, in part because the businesses concerned are facing multiple tiers of Government and quite a bit of frustration in terms of getting their applications through. Supply of suitable employment land is also a major issue that comes up under the planning bit of the regulatory agenda, and that also needs to be addressed on many occasions. The second is around compliance, inspection and confidence when it comes to the relationship between regulators and the regulated. Many businesses tell us that, when they are visited by a regulator—and I think this is more prominent in a rural setting sometimes than it is in an urban setting—they tell them they are doing something wrong or somehow follow through on a tick-box inspection that is required to take place, and that is their only interaction with regulators. On that basis, Leicestershire Chamber of Commerce and Birmingham Chamber of Commerce have engaged in an initiative with local regulators in recent years, the point being to improve confidence and relationships between the business being regulated and the regulators themselves, to remove this adversarial, tick-box sort of relationship and to get to one where the regulator is an adviser helping the business build its confidence and its prospects. That has been working very well, so I think that is something that can be taken up as an approach in other rural areas.

I guess the third issue around regulation is not specific to rural areas: it is the general gripes you would expect from business about regulation. Business people up and down the land will call anything regulation that stops them doing what they need to do to grow their particular business at time. Some of it is genuine regulation: some of it is other parts of the legal system, like health and safety law, for example. On things like employment law, however, rural businesses will bring up difficulties. On things like health and safety, they will bring up the difficulty that, when they go above five individuals in their employment, the requirements that they have to follow change. Given that rural businesses are overwhelmingly microbusinesses, that does come into effect on a number of occasions. Those, however, are more general concerns that could be just as applicable to an urban context as to a rural context. I think the one about planning is the one that comes forward first and foremost on pretty much every occasion and in every county we visit.

Q8 Richard Drax: Down in South Dorset, in my constituency, planning is a huge issue. Can I just ask you, from your experience, Dr Marshall, about what I call “quasi-judicial”? How many times have I heard
that word—"it is quasi-judicial"? Then the councillors often make decisions that are based on either politics, envy or whatever it may be. It does not follow, despite being advised perhaps by their officers, who are often, themselves, confused by the rules. Is there some way we can get round this, do you think, to make it simpler and more judicial, perhaps, so that there is more guidance and less room for misinterpretation?

**Dr Marshall:** The issue that you raise is certainly one that I would recognise and I have heard about from chambers of commerce literally across the country. We did a planning survey, which, I believe, attracted responses from over 5,000 businesses, just last year. We found an enormous number of businesses who said that councillors made decisions for political reasons rather than on the advice of their officials, who are specialists in the area; that they were regularly asked for reams and reams of additional and costly information, at really inappropriate and awkward times during the process; that it was, effectively, meant to dissuade them from bringing the application forward. A range of reasons, like "we are in a quasi-judicial set of circumstances; I cannot have this discussion with you tonight" came up over and over again in order to solve what is really a commonsense problem. I entirely recognise that situation.

I entirely recognise the efforts that the Government have made over the past two years in order to try to.slim down the amount of guidance involved in the planning process in England in particular, and to try to circumvent some of these processes taking an extraordinarily long time and being so difficult and frustrating for businesses. However, the proof of the pudding is in the eating. We are still in the early stages of that reform process. What I would like to see and what I hope the Committee would help us to do is to hold both local authorities and Government to account in making sure that that streamlining happens on the ground. Paul mentioned the difference between the headline of a policy and what happens at the coalface; unfortunately, whether it is access to finance, planning or a range of other things, at the coalface you still hear the same complaints coming through, so the planning reform has yet to bite in such a way that businesses would feel comfortable.

**Q9 Ms Ritchie:** The next issue that impacts on rural economies is broadband. Soon after the current Government took office, they pledged that the UK would have the best superfast broadband network in Europe by 2015. I have a question plus a supplementary for both of you. Do you believe the Government's broadband strategy, as it currently stands, is enough to satisfy the demands of rural businesses?

**Dr Marshall:** It is a pretty easy answer to that one: no.

**Paul Johnson:** I would say yes, if we could get the first stage implemented. There is an enormous frustration—I know you will have no doubt heard it from other LEPs—that we have had a string of promises on the resolution to get broadband implemented and, coming from the private sector, we get constantly frustrated by timescales. We hear about the technology changing again and, as I have said, in a rural context, the broadband rollout that the Government have put forward would make a huge difference, clearly. I do not think it is the whole solution but, goodness me, it would make a huge difference. The difficulty in rolling that out in a timely manner is becoming more and more of a concern. We are seeing the rollout of the private networks into the areas that make it viable for them; other areas are reliant on initiatives. It will be a year before we see the impact of one in Wiltshire, based on the current difficulties around whether we can proceed with those rollouts on the European competition basis.

The broadband issue is incredibly important. It helps small, isolated businesses get access to information and their marketplace, and to market themselves. It is clearly important. It also impacts on quality of life for those doing schoolwork at home, and businessmen who do business at work and then want to complete work in the evenings. If you are going back into a location that looks attractive but has no broadband access, it is incredibly frustrating as a place to settle and work. I would take the first rollout as rapidly as we could get, and then discuss what should come after that.

**Dr Marshall:** I do not believe that the ambition, however, is strong enough in terms of the Government's broadband strategy, or any UK Government's broadband strategy.

One of the things on our infrastructure more generally that businesses are concerned about is short-termism of policy initiatives and the lack of a several-decades-long view, whether it is transport networks or broadband networks. If you go to France, Australia or to other countries that are leaders in this area, they have 20 to 30-year strategies. These are countries that often have lower population densities than we do and bigger natural difficulties to overcome in terms of the rollout. No, then—our strategy is not adequate.

I want to raise just a couple of issues that rural businesses—and also some urban businesses—mention. The Government's target only refers to download speeds. A lot of rural businesses are creative businesses, and it is the ability to get information up the pipe and to clients anywhere in the world that is just as important as bringing information down the pipe and into your farmhouse, hamlet or wherever else it might be that you are doing business. It is simply not good enough if you cannot get your intellectual property and your product or service out to the world and export it. Chambers of commerce overwhelmingly spend most of their time helping businesses to export, and that frustration comes to the fore over and over again.

The opening-up of infrastructure comes up repeatedly. Very often, the infrastructure in some of these areas is in the hands of a monopoly provider. I know there has been some progress on making sure that, if someone else is willing to make the investment, the infrastructure is open so that that can happen, but it is certainly an important issue. So is the use of mobile technologies—4G and things like that—to provide broadband-like services in rural areas. A lot of businesses in these areas recognise that they do not have a God-given right to a subsidised form of access to the broadband network if they are the only business...
for many miles around. Many of them would be more than willing to pay for a better service, for example through their monthly bills, if they could be assured that the quality, reliability and consistency of that service were adequate. Right now they do not have either a structure to get that service, or that quality, reliability and consistency; hence the frustration that boils over so often.

Colleagues in South Yorkshire reported one initiative where a major business was trying to grow and one of these local broadband initiatives nearby stopped half a mile down the road, yet they could not extend it that much further so that this new and growing business, with quite a lot of employees coming on board and quite a lot of export potential, could get access.

Q10 Ms Ritchie: Through the Chair, I have a supplementary for Dr Marshall: how have rural businesses without broadband access coped with the increasingly digital-by-default approach of Government? Perhaps you have already addressed some of those issues.

Dr Marshall: I have in my hand a survey that was done. When we were asked to give evidence to this Committee, my very enterprising colleagues at the Shropshire Chamber of Commerce and Industry did a survey of their members for me. 190 rural businesses responded, which is a pretty good sample in a week.

I am sitting looking at a phrase here that says, “What are the main issues that concern rural businesses in preventing them from growing?” Communication difficulties, poor mobile networks and broadband speeds”. What I think, and other comments here show me, is that it is not just an inconvenience to doing business for many of these companies; it is, in fact, a barrier to growth, a barrier to hiring and a barrier to investment. Seeing that multiplied on so many occasions around the country is really a massive concern for us.

Here is another one: “Broadband is key to development”—again, this is in Shropshire. “Businesses should receive a dedicated broadband facility line to avoid the drop in speeds that happen when schoolchildren get home from school”. You can tell that, for a lot of these businesses that stop at five employees or that stop when they reach a lifestyle-size turnover, that is clearly an issue that will stop many of them from getting to the level of growth that they could otherwise achieve, so more does need to be done. I think businesses are more than willing, too, to come forward and say, “We will co-invest. We will do whatever it takes in order to get the service right”.

You see enterprising groups of companies in some places coming together, often with local residents, in order to do that. We need more of that, but we also need a longer-term strategy for the country as a whole. If we are a services-based economy, which we are, vastly, then we need to have the infrastructure to compete.

Q11 Neil Parish: I have a question to both of you about transport and fuel. 42% of households in rural areas are likely to get some sort of bus service, compared to 96% in urban areas and there is also the mileage that businesses have to travel sometimes to get inputs in and out. What effect has the price of fuel had and how should this be addressed in rural areas?

Paul Johnson: It is a fact of life in rural areas that you have the distance and the connectivity, which is either going to be done by road, for business and for private households, yet 25% of the population are without cars and are wholly dependent on the public-transport linkage. Clearly, the difficulty of getting reliable transport links to a town centre or a market town which offers employment and services is a critical issue. You have a rural isolation impact, which is largely unavoidable and traps a potential workforce in, as I said, a rural, isolated environment. The costs have constantly risen on the transport side, and various measures have been taken to adapt those fuel costs. Services are under threat constantly. There is a balancing in the transport area, if you take our own area, with the use of revenue from car-parking to try to offset some of those bus services, to keep them in existence. It is, however, clear that there is a significant cost burden and a reduction in access to services and employment if you are living in a rural environment because transport is not available at the right times to get you into work, out of work and to your day-to-day business.

Q12 Neil Parish: Could I ask a supplementary to that? The trouble is we want more bus services, but if they are very rural areas and not enough people are going to use these services, you will end up with a huge per-head subsidy to keep those bus services running. Do you see a place for the charitable sector in some places to fill gaps? We have to be realistic in this world about how we are going to provide some of these services.

Paul Johnson: I would like to come back to when I was talking about these market towns and significant townships of 20,000 to 30,000. Again, if you take the situation in our own LEP area, we have looked at rail connectivity and the provision of rural services to connect to those centres. We have seen that, with some judicious use of additional stations, you get to 75% population coverage with rail services. There is insufficient work still being put in on the transport stage for regional rural transport with multimode approaches. The need is perhaps not constant bus services, but ones that connect to railway services at the right time, and some form of very local service for isolated rural areas to get them on to that bus route. A programmed transport system which takes account of bus/rail linkages and major road linkages would, I think, be quite successful. As I said, it conflicts at times with the national rail programme in terms of the services, and so the balance between regional needs and the intercity needs of the UK as a whole clearly has to be taken into account. An integrated approach, however, would offer a lot of opportunity.

We have also looked at stations as a hub for car hire, electric vehicles and cycle parks. There is a transport-hub approach that enables the local rural area to find its own solutions for getting towards that hub, provided the transport timing and the connection between the various modes line up with the needs to reach service places and places of work.
Dr Marshall: I was an adviser to the Local Transport Minister on the Local Sustainable Transport Fund, and quite a lot of the issues that came up during that process were around precisely the question you have raised. That is: how do you maintain labour-market access, in particular in areas where bus services are very expensive to subsidise or continue? Business tells me that it is not asking for loads of things that we cannot afford, but for stability of whatever service is available, and having it running at the right times. If we are operating with a constrained budget for bus subsidies, changes at 56 days’ notice and scheduling of buses to arrive and depart at 10 o’clock in the morning and three o’clock in the afternoon, rather than eight and 5.30 to accommodate the working day, provide some of the biggest issues for people on the labour-market side.

There is a place for community-based transport and on-demand services, and a lot of that has been shown to be cost-effective. None of it will run without subsidy altogether, however, but I think there is a place for it and perhaps it can run at subsidy levels that are lower than the bus in some areas.

The other side of course, is the logistics side. Rural businesses that are heavy fuel-users tell us over and over again that the endless rises in the price of fuel are causing them the greatest level of business uncertainty, because it is not a variable cost that is easy for them to control in terms of the running of their companies. Their level of resentment is strongest when they look at the disconnect between the oil price at any given time and the relentless march of fuel-duty rises over and over again. If they felt that that money was being ploughed back into transport, they might feel a little better, but they know full well it goes to the Treasury’s bottom line, and God knows where it goes from there, so there is a lot of disquiet about that. A number of businesses in rural areas, whether they are food-and-drink-based businesses, tourism-based businesses or others, say to us, “The logistical challenges that we face are not insurmountable but they are difficult enough without constant rises in our cost base”. It is making things more difficult for them.

Q13 Neil Parish: The Federation of Small Businesses has called for the introduction of a fair fuel duty stabiliser to stop the volatility in fuel prices. Do you support that idea? Also, a point that I would make—and I am sure you would agree—is that the problem with the rural population is that car transport, in particular, is not a luxury, it is absolutely essential. In a way, because much of that fuel duty is used to pay for the National Health Service and whatever else, because of the levels of taxation on fuel, they are being disproportionately taxed.

Dr Marshall: I will take that in two parts, if I may. I will take the second, provocative, question first. You could make the same argument about winners and losers on just about any tax in the land or any kind of income stream or revenue stream in the land.

Dr Marshall: I do not think there is a choice on many of them. Council-tax rates are set in the same sorts of ways—or in bands in any case. In terms of the question about the fair fuel duty stabiliser—

Q15 Neil Parish: I could disagree with you there, because there is housing benefit. There is a whole system as far as council tax is concerned. There is not, as far as putting fuel in the tank of your car is concerned, if you have to get somewhere.

Dr Marshall: I think businesses are most concerned in this about greater stability. Going back to the first part of your question, I do not know if the fair fuel duty stabiliser is, in fact, a workable proposition. There are many in the Treasury who suggest that it is not. The issue that we need to deal with is removing the spikiness from fuel prices facing so many businesses in rural areas, and also workers in rural areas, because, as you say, very often we see a huge amount of what I would call the “motoring poor”: people who really probably cannot afford to be running a car under some circumstances, but who are forced to in order to access employment opportunities or to be on anything else. Greater stability in fuel prices would, therefore, be a great goal; whether we have the mechanism to get there, I am not sure.

Q16 Neil Parish: We talked a bit about the next point in the question that Mr Drax put to you about planning. There is a problem with planning, I believe: does it hold back rural growth and businesses?

Dr Marshall: I believe the answer is yes, just like broadband holds up many rural businesses. I mentioned before the problems that many businesses face in getting permissions, in particular from district councils. I mentioned as well the fact that many business people are concerned that there is no suitable designated employment land available upon which to build. The conversion of space is another area where I think the Government have tried to do something to make it easier to change uses of buildings in rural areas so that they can be used for business purposes, but I still do not believe that, at the coalface, that is going in a particularly easy way. If I had an outbuilding on a rural property and wanted to convert it into an office, I think a lot of business people out there believe, rightly or wrongly, that that will still require a planning application of some considerable specificity and depth, but also a lot of expensive consultancy fees. The part of the planning process that is not taken into account through policy is that businesses are often forced to acquire very expensive advice services simply in order to get their application through. It is not the cost of the application itself; it is the cost of all of the associated work that goes along with it, and you get a sense of intense frustration in many areas. It does vary from place to place. Some local planning authorities have been absolutely exemplary in trying to create this sort of space, but others have not been, so we do hear those worries and constraints.

Q17 Neil Parish: Do you see localism as a help or hindrance in this drive to have more barn conversions, and buildings for industrial and light-industry use?
**Paul Johnson:** It should be a help. I do not recognise some of the resistance to building diversification. It is clearly on the farming agenda, and a lot of farm-building opportunities produce attractive places to work that are local to the community, so you get a diversified job availability. These are areas diversifying out of farming or spreading. The number of employment opportunities is relatively low out of those, in the main. They are starter units to give an opportunity for local entrepreneurs to get away from the kitchen table or the back bedroom into a small environment. I think that is recognised, as I said, in our own area, and there is a lot of effort in facilitating those types of applications.

As I said, there is also an environmental picture that comes with many of these applications. They are sometimes easier in small towns, but you then have costs involved in regeneration in small towns and town centres, which is a whole series of issues as well, which have to be dealt with locally. There is a lot of difficulty between the planning regimes of the large supermarkets, for example, and their potential damage to small market-town high streets in comparison with the costs that are involved in stimulating business there alternatively. That is a constant dialogue in a lot of market towns.

**Q18 Neil Parish:** Again, to both of you: in 2011, Defra launched the Rural Economy Growth Review. Most of the package appeared to be aimed at very small businesses and start-ups, rather than helping more established businesses to take the next step. Is this the correct approach to growing the rural economy?

**Dr Marshall:** I am not surprised that, given the limited resources available for that Growth Review, there was a focus on smaller and start-up businesses; however, we have several major businesses in membership that happen to be located in rural areas— I think about places like Shropshire and Lincolnshire, where, in fact, some of those businesses are rather large indeed. A lot of the established businesses in rural areas face particular difficulties around planning, transport and the skilled labour that they require to meet their growth needs. It is less about the levels of Government support available and more about the facilitation of some of those enablers, as it were.

When you look at the Rural Growth Review, you see a lot of initiatives that the Government were already doing, packaged in a slightly different way. You also see a lot of very small pots of funding pointed in different directions. Some of those have the potential to be successful—building networks, building up some of the broadband services that are required and so on—but I do not think that that, in and of itself, is a comprehensive approach to some of the issues facing businesses in these areas.

**Q19 Neil Parish:** When businesses start up, you can get business rate relief and what have you. Do you think perhaps that there ought to be a phasing-in of business rates? Very often, you talk to businesses and they say, “It is all right when you start up—you get all this help and then suddenly it is cut off”, and sometimes those businesses then fold. Is there a way we can ease them into those business rates?

**Dr Marshall:** Rates are a huge issue across the board. I would not want to forget the fact that Small Business Rate Relief is overplayed by the Government, because, if your business, colloquially, is larger than a double garage, you are not likely to be eligible for it. It starts to bite very soon for many business people. The biggest constraint around business rates is not necessarily the phasing-in, but the constant rises: in 2010, a 4.6% rise; in 2011, a 5.6% rise; and another 2.6% rise for next year coming up. That relentless increase in cost base feels very difficult to many businesses in terms of growing into new and additional space, because they are acquiring new fixed costs. That is a major problem. I think they find it especially cynical that business rates are going up at a time when the council tax has been frozen. While a political decision has been taken to freeze property taxes elsewhere, business property taxes have been allowed to go up relentlessly.

**Q20 Richard Drax:** Mr Johnson, this is aimed at you. It may be because of your LEP area that these next three questions are aimed at you. If you would like to come in, Dr Marshall, please put up your hand. Defra expects the £1.9 million that it is investing in the Swindon and Wiltshire Rural Growth Network to create 200 jobs and support 450 businesses. What sectors of the economy will benefit from this investment?

**Paul Johnson:** The military sector is an interesting one that I should come back to, having mentioned it before. The investment is going into a series of rural growth hubs and satellite locations. They are to provide incubator and grow-on units for local businesses to be able to locate in. The hub location is alongside the military, not far from Tidworth, where you have a very large population of military employees and spouses who are potentially relocating in that area and need local job opportunities. The hub is locating there.

The advantage of the hubs is to provide an opportunity, as I said, to get off the kitchen table into a small incubator unit that has a series of other businesses around you—a network. We know the evidence in terms of businesses that succeed being those that have the ability to work together in groups, to network, rather than working on their own. They grow better in a conglomerate or in a cluster, so these networks give the opportunity to draw on those skills.

We are looking at providing some business-mentoring in key sectors in the different locations, so that like businesses will locate there and gain from some business-mentoring support as well.

**Q21 Richard Drax:** Can you just say what sectors of the economy? I know you are talking about how you would envisage it; what, in particular, are you looking at—IT, or what sectors of the economy?

**Paul Johnson:** The sectors are where businesses want to develop. Some of them will be in local food-and-drink sectors, with the whole localism agenda of niche businesses there. Some are potentially looking at security in terms of military and security-provision...
there. Down in the south of Wiltshire, we have been grateful to get a Regional Growth Fund award to develop the life-sciences sector at Porton Science Park on the back of Porton Down Defence Science and Technology Laboratory and the Health Protection Agency facilities there. There is, then, a whole life-sciences section in the southern part of the county, which has the right knowledge and skills to benefit from the skills that are coming out of the military and to develop another level of knowledge-sector capability that is beyond low-grade rural/farming jobs.

Richard Drax: Mr Johnson, can I ask you to keep your answers little bit shorter, if I may, please?

Paul Johnson: Sorry.

Q22 Richard Drax: What might prevent you from achieving the projected levels of growth that are forecast in your RGN?

Paul Johnson: We come back to infrastructure and broadband. Those areas need the broadband connectivity. Part of the concept is on a virtual network, and we need that broadband connectivity to make that happen.

Q23 Richard Drax: From the evidence that you have gathered so far on RGNs, what advice would you give the Government from your experience?

Paul Johnson: I would keep going in that direction. I do not think it is a unique model. We come again to the fact that rural businesses have certain needs, but the successful model is about growing businesses and entrepreneurs with good ideas, and getting them to grow and develop their businesses successfully. We have seen the incubation and moving on in networks being successful in other parts of the county. Irrespective of the business type—we have some successful media companies as well—they are all developing in that environment and they do better in a clustered environment than they do individually.

Q24 Richard Drax: That is not so much the Government’s responsibility, is it? Is there anything that Government can do? Obviously, the Government can give loans—it could give money in this case. It could put in broadband or pay for that.

Paul Johnson: There is a lot of money that is being directed—I was just adding up some from the Rural Statement, and there is £90 million odd—at a top level into particular areas. Small sums of money can make significant differences to some of these businesses and their progress. We are looking at capital investment in shared equipment in some of these areas, for example. I personally would rather see the money directed towards local initiatives supporting areas like the Rural Growth Network, rather than determining at a more central level where that money is going to go, and then hunting for schemes in those areas. The flexibility to respond and do things locally would make a lot of difference.

Q25 Richard Drax: I will move on to the impact of LEPs. In written evidence to us, Wiltshire Council argued that giving responsibility for the RGN to the LEP caused delay in getting started, and that “the LEP is reliant on the local authorities to implement and deliver the project. It has few resources of its own, and no team of capable officers to make the investments or develop the services”. Is that fair criticism?

Paul Johnson: I think it was fair criticism at the start of the LEP. Clearly, decisions have been taken to provide funding into LEPs that was not there previously. You are looking at a private, business-led, volunteer group of businesses who are prepared to put their time in to build the relationship between the local authorities. There was, clearly, initially an expectation that the local authority can do everything themselves: they have done it before; why should they not win the award? Indeed, the officers did that work. There was no structure within an LEP to deliver it at that time. What the LEP has been successful in, however, is providing some longer-term views, some policy direction and some vision questions, and brought business thoughts to the directions in which they are heading. I think that, if you asked the questions again of Wiltshire, you would get a much more positive response than at the time that those responses were made initially. We have certainly seen, as a result of the LEP, a much stronger relationship developing between Swindon Borough and the Wiltshire local authority than was there before we started working together in that LEP geography.

Q26 Richard Drax: In the sense that businessmen and women are coordinating now with officials in the LEP, which did not happen before, it is a big strength of it, is it not?

Paul Johnson: It has strengthened. It has strengthened with businesses and with officers. There are supply-chain opportunities with large businesses in Swindon or similar cities, and small companies and small and medium-sized enterprises working in the hinterland. The opportunity to develop those relationships is clearly coming. The officers are working together on some of the transport issues that we have identified locally, too, with the local transport board coming forward. So there is a positive direction, but it is certainly true that the expectation that, somehow, businesses would be able to provide their own resources and a commitment that would make the difference is, practically, not going to be realised, and putting in resources was the right decision.

Q27 Richard Drax: Can I quickly move on to small and rural businesses? I know you have touched on them. This is a question to both of you: are they able to access support through the Regional Growth Fund?

Paul Johnson: Yes. As I mentioned already, we had a successful application for the Porton Science Park. It is very rural in terms of location, with Porton, a very small village, alongside. There is some isolation, obviously, for reasons in the past. It is a clear case of where, I think, we made a difference as a LEP in terms of getting involved and focusing on solutions and opportunities, and a good business case was made and we got the funding. I think our attitude is that we are quite prepared to compete for funding that is right for—
Chair: Gentlemen, we are going to be called for a vote in six minutes, so please keep your answers very brief.

Dr Marshall: The issue with the Regional Growth Fund is around its implementation. Decisions were taken on projects, and funding is not being released quickly enough. I think that is an issue common to urban and rural businesses, who are told that they are going to receive an award and then it takes very many months for that money to be released. The only other thing I would say, though, is this, and I think this would benefit rural businesses tremendously: a more demand-led type of funding would help smaller businesses, and rural businesses in particular. Something we have called for is a Growth Voucher scheme. We have called for perhaps a portion of the Regional Growth Fund to be used to enable that scheme. You could take £100 million and give a number of very small and growing businesses about £5,000 each in Vouchers, which they could spend on public-sector-provided or private-sector-provided services. If you are a small and growing business in a rural area, that might be just the sort of support that you need to take your next investment steps and your next growth steps. That might work better than a top-down process.

Q28 Neil Parish: The Government has recently taken steps to make the Small Business Rate Relief automatic. Dr Marshall, are local councils doing enough to ensure that businesses receive the appropriate business rate relief?

Dr Marshall: We still do hear cases of small businesses that do not feel that they are being treated as they should be treated. We still hear about difficulties in the implementation of that promise to make Small Business Rate Relief automatic, but, on the specifics, I would have to come back you on another day.

Q29 Neil Parish: Also, is it in the interests of the local authorities to facilitate this? I rather fear it is not. Should we, in Government, be doing more to encourage them?

Dr Marshall: This is another one of those issues that I believe falls on the “good policy, needs to be implemented thoroughly” side. If that means implemented from central Government right through to the local-authority level, then so be it. I do feel that, if businesses are entitled to relief, that should be facilitated as swiftly, efficiently and completely as possible.

Q30 Chair: Gentlemen, in September, the Government launched its Rural Statement. I want to ask you whether you think it is a coherent strategy. Will the action plan encourage growth in the rural economy? What measures should be used to hold Government to account for that statement?

Paul Johnson: If I could take the first point—and you hauled me back earlier, Chair—there needs to be some clarity about the rural agenda. I saw, just coming from an outside world, from a private-business world, a lack of clarity in some of this direction, I have to say. I assembled four areas, which are landscape management and the environment; farming and the food chain; the rural economy, which is market towns and small towns; and innovation and technical lead. My feeling is that it is very difficult to deal with a single rural agenda. There is an assumption that everyone is living in a rustic environment, and that we do not have hi-tech companies working in rural environments; we do, very successfully, in towns. There are some real conflicts in the policy in terms of what you are trying to create. I would like to see a lot more strength in deciding what the food-sector national agenda is: are we trying to be self-reliant or are we trying to export? What are we trying to do there? Landscape management, the environment and local nature partnerships—there is a whole series of areas that one could talk about, but they are different issues, and tourism sits in there as well somewhere. The rural economy is around town-centre attractiveness, dormitory-town problems, connectivity and those sorts of issues. I would like to see more on innovation and technical leads. Where we could make a difference and get some real economic growth is in the green economy, sustainability and waste management. You would expect the rural agenda to be there.

Q31 Chair: Thank you for that, Mr Johnson. Can I just press you on the measures that you believe should be used to hold Government to account for its statement?

Paul Johnson: You need some clear, visible targets of what you are trying to achieve as the policy first; then it would be apparent which measures you should be looking at to achieve them.

Dr Marshall: I read the Rural Statement this morning; it was my first opportunity to do so. I think that, in and of itself, is a problem, because it has not been very widely communicated to the business community by the Department responsible for it. I have to be very honest with you: I do not feel that the level of engagement between Defra and the business community outside the farming sector is as strong as it should be, and I think that extends to documents like this one. When I read through it, there is very little to disagree with, because there is a combination of things that the Government are already doing, and a combination of aspirations that we would all share, but those of us who work in the policy field see very many of these sorts of documents. I think rural businesspeople would be much happier to see something very specific on rural-broadband issues, for example, something very specific on planning and business-rates issues that they face, and something very specific about housing and access to skills. If it was on the specific barriers, that would be great.

Q32 Chair: Thank you. You will appreciate that that is the bell calling us to a vote. In a word, therefore, can I ask you just to say what level of engagement you would have with the Rural Communities Policy Unit inside Defra—marks out of 10, 10 being full engagement, one being very little.

Dr Marshall: One. I suspect I am getting myself a lot more work by saying that.

Paul Johnson: I would say three and growing.
Q33 Chair: Thank you very much, gentlemen, for your time this afternoon and your very helpful answers to this Committee. The Committee will stand adjourned for a quarter of an hour and we will come back after the vote. Thank you very much.

Examination of Witnesses

Witnesses: Gillian Elliott, Acting Assistant Director, Economic Development, Cumbria County Council, Helen Wright, Rural Policy and Partnerships Manager, East Riding of Yorkshire Council, and Councillor Keith House, Deputy Chair, Environment and Housing Board, Local Government Association, gave evidence.

Q34 Chair: I am very sorry we have kept you waiting so long. We will try to press on and conclude as quickly as we can. Would you care to introduce yourselves to the Committee? Thank you very much.

Gillian Elliott: Gillian Elliott; I am the Acting Assistant Director for Economic Development in Cumbria County Council.

Helen Wright: I am Helen Wright; I am the Rural Policy and Partnerships Manager at East Riding of Yorkshire Council.

Councillor House: Councillor Keith House; I am the Deputy Chair of the Local Government Association’s Environment and Housing Board and the Leader of Eastleigh Borough Council in Hampshire.

Q35 Chair: Thank you very much. Can I start off by asking you what you see as the key barriers to growth for the rural economy? In particular—I am sure you will have heard some of these responses earlier—what role do local authorities have in driving that economic agenda?

Helen Wright: Who would you like to start?

Chair: Whichever one of you feels most qualified.

Councillor House: We are not rehearsed, Chairman, on the basis that we come from different organisations and we were invited separately. Perhaps I will kick off and colleagues can chip in if that is helpful.

“Barriers to growth in the rural economy” is such a broad compass to try to work through; I picked three. The first is access to money and skills, as far as businesses are concerned: money in terms of bank lending; skills in terms of getting the right skills for the jobs, as opposed to the skills that educational providers provide based on student demand. The second is, broadly, connectivity, both physical transport and also virtual communication. Your previous panel talked about broadband; I am sure we can continue on that line. Transport likewise, although you cannot draw broad-brush across rural economies. Thirdly, I would pick on lack of affordable housing.

Gillian Elliott: I would add, but I would certainly concur with the colleague on my left on the other issues.

Helen Wright: That leaves me very little, but barriers include lack of market, an issue over access to certain services; corporate services, corporate lawyers, financiers. Scale of development is also very difficult in rural areas. Additional transport costs are problematic. There is a premium plus that goes onto any rural growth required. Then local government holds a lot of the drivers that can facilitate growth around education, skills, transport, planning and housing.

Q36 Richard Drax: Mr House, you all mentioned affordable homes. It is a huge issue; everyone talks about it. I am hearing from developers—as I am sure many of my colleagues and everyone else are—that the ratio of social homes is getting so large that developers are saying they are not interested because they cannot make it pay. What is the solution so far as trying to get this balance right and attracting developers, rather than the opposite?

Councillor House: We do want to attract developers. There has been a lot of discussion around the planning system being a barrier when it is more of a solution than a barrier. In terms of the ratio between affordable and market sale housing, the important thing is to understand that different communities have different needs. In many rural areas, the crucial issue is getting any housing built. From a local government perspective, that is the case we have been arguing: local solutions are better. The viability issue is
obviously pressing, but most councils are very happy to sit down and work with developers to ensure that the right schemes come forward. Again, we have heard a lot about councils as blocks in this area; that is not our experience. We would like to have feedback if there are examples of that that we can unpick as a sector. Viability is an issue in some places; as for the ratio, that is best set by the market.

Q37 Chair: Can I just ask all of you, with respect to the Rural Statement the Government has produced, what you think could usefully be added to it and what powers do you feel it provides for you and your communities to hold the Government to account in delivering it?

Helen Wright: First, we welcomed the Rural Statement certainly from a rural profile perspective, to have some sort of rural statement, rural strategy, is encouraging. We would like it to have gone a little further. Certainly some of the issues identified in paragraph 40 that have not been included are things that we are focusing on in the East Riding and we would have liked to have seen them included. I would also add the lack of urgency to that. We have just prepared our own rural strategy and certainly a lot of input from our consultees has been around that issue. So there are omissions.

Q38 Chair: If I may interject, Ms Wright, you anticipate my next question to you. If you want to bundle it up together, I was going to ask you about the difference between your own strategy and the Rural Statement. We are aware that in the East Riding you have produced your own, so do please feel free to adumbrate the differences.

Helen Wright: I could probably talk for a long time on this, but I will be brief. What we have to bear in mind is that the Rural Statement is a rural statement. Our rural strategy is evidence based; it goes on to identify the needs, challenges and opportunities. It looks at what constitutes a sustainable community. It includes desired outcomes and objectives. Perhaps most importantly, it has an action plan. That action plan is in its early stages, but it is actually the vehicle through which we will be able to do solid rural proofing, monitor progress, and to be able to really use it as a rural proofing vehicle across Government Departments, or indeed to see how we are progressing. However, it is a statement, not a strategy.

Gillian Elliott: I would reiterate the same points there, that, for us, it gives the commitment but not the implementation, the “hows”. That is really important for us. The other thing that we felt was missing was the funding aspect. It said there is a commitment to rural areas, but then is there also the funding that backs up the fact that there is a rural premium? Councillor House: I would be very wary of committing local government to holding Government to account; your Committee is the best route to do that. So far as the Statement is concerned and following on from there, it is a good start; we are very supportive. We would like the Department to commit to an annual review of performance with measurable targets that can be reported back on; otherwise we are not going to see progress. On the roles of the Department and the Committee, if Defra is going to be a champion for rural Britain, it has to be prepared to reach out across other Departments and argue the case rather than be insular, which any Department can tend to be.

Q39 Mrs Glindon: I would like to ask Ms Elliott; you bid successfully to be a Rural Growth Network—congratulations on that—what might prevent you from achieving the projected levels of growth forecast for your Rural Growth Network?

Gillian Elliott: I am hopeful that there will not be much that will get in the way of us being able to do it. We want to be able to build on the whole process of the Rural Growth Network. For us, it has been a very positive start to being able to implement development in a cohesive way in rural areas. Cumbria is what we would call a truly rural area: there are not any real city drivers that we can use. It has to be market towns that help to drive the economy in our area. 95% of our businesses are SMEs; that is, again, enormous. The Rural Growth Network allows us to get under the issues that we have: women’s network, the planning facilitation service that we are setting up. There are a whole host of things that we believe will drive our businesses and growth from the bottom up.

Q40 Mrs Glindon: What input does your LEP have in the rollout of the Rural Growth Network?

Gillian Elliott: We are absolutely hand in glove with the LEP on this. The LEP has been supportive; we have a project sponsor who is one of our LEP board members. The chamber of commerce and the county council have pulled this bid together. We have partners from across the rest of the business community that are fundamental to the delivery of this programme.

Q41 Mrs Glindon: If the RGNs were to be rolled out further, what advice would you give the Government from your experience of the process so far?

Gillian Elliott: If anything, it is the bureaucracy at the beginning that is potentially our problem. It has taken us from March to October to get our offer letter. We have had approval, but we have just had the offer letter now to start running with a Rural Growth Network. That is the bit that I would say: it is the bureaucracy that needs to be taken away. We have been given a Section 31 grant, which is absolutely superb. It means we will now be able to drive the programme forward, but it has taken six months away from a three-year programme.

Q42 Mrs Glindon: So things have been on hold, then?

Gillian Elliott: Absolutely.

Q43 Mrs Glindon: Thank you, that is really useful. Could I ask you, Ms Wright: Rural Growth Networks have preferential access to new Rural Development
Gillian Elliott: it is still early days; to date probably not. We were certainly disappointed. It went through the North Yorkshire LEP, but East Riding was included. We were disappointed that we did not get one.\(^1\) I know the North Yorkshire LEP had some concerns about the guidance behind the Rural Growth Networks and where it was coming from, but that is history. We have a very heavy focus on rural issues in the East Riding. We have a dedicated rural team, a rural strategy and a reactive rural partnership. Things have been flowing quite positively for many years now. We try to achieve things, even where we have not got external funding, although we would very much like to get it. We have been doing things through the LEADER programme, through the European fisheries programme. We are doing things with small amounts of money around local food. We are very much basing local activity on natural resources.

However, I know there is a concern that rural areas that do not have Rural Growth Networks—in particular rural areas that are part of a hinterland to urban-based LEPs—are going to fall through the gap on funding issues. Gillian made the point earlier: they are very much a rural LEP, so activity is very much rural based. We have a Humber LEP, as well as the North Yorkshire one, which is estuary based. There is a big danger that, if we are unable to access RDPE monies and perhaps the Regional Growth Fund, rural areas could suffer. I am not saying they will, but they could do.

Q44 Richard Drax: Can we move on to the Rural Community Broadband Fund? Could I start with you, Ms Elliott? Your county council has just warned that the process of getting the money is complex, bureaucratic and a large amount of capital is needed upfront and negotiated with internet service providers. Is it your view and perhaps your experience that there is a concern that areas that really need things like this Rural Community Broadband Fund will miss out when they are competing with others who have very robust local partnerships in other areas? Gillian Elliott: One of the problems is that the process is not devised for small, community-based organisations. The fact that you have to understand state aid issues and procurement is a real problem. You have to be able to cash flow; you talk in six figure numbers when you ask, “Can you, as a small organisation, cash flow?” It has been very difficult. Some of our communities are war-weary in trying to access the funding. That is problematic. We have others who have very robust local partnerships in place and know how they are going to deliver programmes, but I would suggest it has not been devised for communities.

\(^1\) Note by witness: East Riding of Yorkshire is part of the Humber Local Enterprise Partnership and the York, North Yorkshire and East Riding Local Enterprise Partnership. The Rural Growth Network Bid was submitted by the York, North Yorkshire and East Riding Local Enterprise Partnership. This Local Enterprise Partnership has a dedicated support team based in North Yorkshire.

Q45 Richard Drax: How do you mitigate that? How do you solve that problem? How do you help the smaller organisations?

Gillian Elliott: As a local authority, we are really working hard with our communities to try to facilitate where possible. We have it included in our Connecting Cumbria proposals to try to help them.

Q46 Richard Drax: Ms Wright, would you agree with that answer? Have you got anything further to add?

Helen Wright: Yes, I would fundamentally agree. There are a number of issues around value for money. When you get into the hardest 10% to reach, the whole thing is going to be too expensive to deliver. These people are going to fall off the end. I very much agree that the process was not user-friendly and not particularly clear. This can be very challenging for small rural communities. There are also issues around capacity in the voluntary sector. Certainly within the East Riding, the Rural Community Council was brought in to promote this. We had big challenges in getting this demand-led response back from communities and from rural people, even though we know the problem is there. Just the sheer amount of resources needed to go out and bring the people in is challenging. Our feeling is that if there is a third round of funding the whole process should be clarified a little further and be a little simpler and the application window should be longer. I feel that, as local authorities, we have a lot of knowledge about our rural communities. Most of us come from sparsely-populated authorities, big geographical areas; just getting to the people, getting to the hard to reach, is quite resource intensive. We are happy to do it, but we cannot do it in a two-week turnaround.

Q47 Richard Drax: Quite. Thank you, Ms Wright. Mr House, anything to add?

Councillor House: Local flexibility is the real key to this. Local authorities are best placed and spend this money. There is always a tendency for national programmes to be driven out on a uniform basis. Rural communities are not uniform; they are different, and they are different between different areas. Therefore flexibility locally to determine how that works is best dealt with locally, rather than centrally.

Q48 Richard Drax: Lastly, and very briefly from each of you, please, if I may, one of the downsides the CLA feel about this scheme is that it only applies to superfast broadband. Would you, Mr House, agree that that is a problem? Should it apply to other forms?

Councillor House: I would defer to Gillian on that point.

Gillian Elliott: For any community that currently has access to less than one megabyte, then two megabytes is double; thank you very much.

Q49 Richard Drax: Ms Wright, do you agree with that?

Helen Wright: Certainly the evidence we have from a lot of our community is that they would rather have something than the superfast.
Q50 Neil Parish: Further on with broadband, to what extent have local authorities’ ability to proceed with the rollout of superfast broadband been hampered by the lack of competition in the procurement process? In Devon, we basically only have BT; not that there is anything wrong with BT, but there was no real competition. Have you found it?

Gillian Elliott: We had competition, and we have negotiated for a long time to ensure that we got the best package for our communities. We were probably very fortunate that there was competition there.

Q51 Neil Parish: Also, do you think these big procurement processes will go for the lowest-hanging fruit? Going back to Mr House’s answer, a lot of these areas are small, very rural pockets and will be missed out of the delivery of rural broadband.

Gillian Elliott: At what point does something like access to broadband become a very crucial utility? I think it is. There was a comment in the earlier session about the digital divide: we have so many services that are being delivered online that it is a utility and we have to recognise that our communities require access to broadband. Is it always superfast that is required? No, it is not. It is just faster than what we have at the moment. In rural areas it is very difficult to access.

Councillor House: I refer back to my opening point on access. Given that funding for transport is inevitably tight and is going to get worse in terms of funding public transport, there is a perfect storm in how costs are rising. Therefore, services are less viable commercially, there are fewer services and there is less money to fund them. The best answer to that has to be to reduce the demand for travel. From a business perspective, that has to be broadband.

Q52 Neil Parish: One of the problems I find in my constituency is that because this big rollout is going on, those small pockets that have their own private solution are also holding back because they do not know what will be delivered by the whole process. Are you finding the same view?

Gillian Elliott: There are areas where, if you have a technology expert, they are out there and they are doing what they possibly can to get broadband into their locations. In other areas, if there is not a particular person driving it through, then yes, they are hanging back and waiting. It is causing problems, on the back of not having state aid through yet so we cannot start to deliver the service. We have businesses that are desperate for access to faster service.

Q53 Neil Parish: I have three supplementary questions; I will give them all to you and ask for very brief answers, please. Will local authorities meet the Universal Service Commitment of at least two megabytes by 2015? If not, why not? Do local authorities have any concerns about the proposals in the Growth and Infrastructure Bill to reduce the planning permissions required for the installations of broadband infrastructure—masts and the like—and will National Park status impact your ability to roll out broadband? Big questions, but small answers, please.

Gillian Elliott: If I could start with the last one about the National Parks, we have a steering group; our National Park is on it. They are working with us and have been from the very beginning to ensure it is not a problem to be able to implement superfast broadband in those areas.

Councillor House: On the middle question about the Growth and Infrastructure Bill, we think the clauses in the Bill are irrelevant and inappropriate. Planning is not an obstacle in this area; if anything, the reverse will apply.

Q54 Neil Parish: Even in the National Parks?

Councillor House: No, I appreciate there is a case in the National Parks, but in the round, if we are looking at planning as a barrier, then disempowering local communities from having a say on planning issues is far more threatening to growth than removing powers from them.

Neil Parish: We had better keep moving. In Cumbria and East Riding—

Q55 Chair: Sorry, before you go on, Mr Parish, Ms Elliott: Cumbria was the first authority to reject a bid on broadband. That was around the time when there had been considerable criticism of the lack of transparency over costings and so on. Can you tell us—not in detail, obviously, but generally—why that bid was rejected and what happened to make it subsequently satisfactory when you did then accept it?

Gillian Elliott: We had certain criteria that we wanted to see benefit our communities, and we wanted to ensure they were coming through in the successful bid that we accepted. What came through our tendering process did not meet our expectations; what has come through now does meet our expectations.

Q56 Chair: Neatly sidestepped, if I may say so. Would you agree with those who have called for increased transparency around the costs of rolling out the service from providers so that local authorities such as yourself can have a better understanding of whether what they are getting is value for money for their residents?

Gillian Elliott: It would be exceedingly helpful.

Q57 Neil Parish: Can I go back to my previous question on whether local authorities will meet the Universal Service Commitment of at least two megabytes by 2015?

Gillian Elliott: Our rollout programme determines that that will happen so long as state aid comes through in time.

Q58 Neil Parish: So you are reasonably confident, is that how I put it?

Councillor House: We want to repeat the issue on state aid again and again and again. It is the big block. If we can unblock the state aid issue, local authorities just want to get on with this because it is in everyone’s interest so to do. We want to spend the money.

Q59 Neil Parish: My experience of Europe is that other member states are not quite so tied up about state aid rules. That is probably a debate for another
day. Again, to East Riding and Cumbria in particular: both Cornwall and Lancashire County Councils applied successfully for European Rural Development Funds to assist with rollout of broadband in their areas. Are you considering seeking funding from Europe?

**Gillian Elliott:** We have European Regional Development Funding in our proposal; we have that accepted and, again, it is just waiting the state aid approvals from BDUK. We also have a bid in at the moment for RDPE funding.

**Helen Wright:** We also have a bid in to ERDF.

**Q60 Neil Parish:** This is just to East Riding on a more general point regarding Europe. In your written evidence you state it would, “be helpful to see more priority attached to understanding how EU rural funding frameworks are going to play out at the local scale.” Could you expand on this particular point?

**Helen Wright:** The thinking behind this is that we have been quite fortunate to have had European LEADER programmes for about 14 years. We have built up a lot of skill and expertise and have some very good programmes running and some good benefits from it. We are concerned about this potential gap in funding in terms of losing the momentum and losing skilled staff. We are struggling to get any sort of clarity or guidance; I know the Government are as well, because it is all in Europe, but we are struggling to get any clarity on this. It is making it very difficult to forward-plan activity when you are facing a potential black hole for some time.

**Q61 Neil Parish:** Are you finding the whole thing very bureaucratic?

**Helen Wright:** It is very bureaucratic and we are finding it frustrating, but we do understand the situations and the circumstances. It is important that at the local authority level, as at all levels, we start to look at how these pots are going to come together and we get perhaps a fairly broad, strategic development plan for it that draws in all the elements. It is quite difficult to get anything started in the absence of any clarity.

**Gillian Elliott:** I would reiterate: we have been very fortunate in that we have had LEADER and local action groups with RDPE funding for a long time now. They have worked exceedingly well. It has allowed us to do a lot of community-led initiatives that have worked brilliantly in our area with innovative proposals. The bureaucracy gets in the way substantially, and anything that can be done in any future programmes to reduce the impact from the Rural Payments Agency end of that will be superb. We need to know what is coming through in the future.

**Q62 Neil Parish:** Defra has brought the allocation of RDPE money back in-house. Has that made the situation better or worse?

**Gillian Elliott:** I would say that we have four layers of bureaucracy at the moment that we have to work through where RDPE is concerned. That is not easy to deal with.

**Q63 Neil Parish:** We talked in the previous evidence session about rate relief. The Federation of Small Businesses criticised councils for not being sufficiently proactive in ensuring that businesses received appropriate business rate relief. What steps are local authorities taking to address this criticism? A point I made in the previous evidence: is it necessarily in local authorities’ interest to dish out rate relief? Are you sufficiently enthusiastic about it?

**Councillor House:** Yes, it is; yes, we are.

**Q64 Neil Parish:** You can prove that, can you?

**Councillor House:** Some things you can prove very easily, some things it is much harder to prove when they are across a sector.

**Neil Parish:** I am slightly teasing.

**Councillor House:** The critical point is that local authorities have an interest in promoting growth and business success. They are not going to promote growth and business success if there are blocks and barriers to businesses performing. In that sense, it is absolutely in local authorities’ interest to promote business rate relief. The wider issue on business rates has to be how we roll forward localisation of business rates over time, because local authorities have a tremendous ability to really drive growth from a local level. A key factor in that is the long-term full localisation of business rates. At the moment, with the Treasury taking off half that growth and with the resets being pretty frequent, there is not the incentive that there could be with a longer rest period and more retention locally. ‘Yes’ is the answer to the question, but let us get on with it and do more.

**Q65 Neil Parish:** Are councils using officer time to seek out these businesses that could do with rate relief, or are you waiting for the businesses to come to you? Some of my experience has been that local councils have not been as helpful as they could be on this issue.

**Councillor House:** We would like to turn that back round to the Committee: if you have examples we will happily look at them. All the evidence we have in terms of the messages we are getting back from local authorities is that councils are committed to making this happen. They are being both reactive and proactive.

**Q66 Neil Parish:** Does Ms Wright want to say anything?

**Helen Wright:** To show you that I have done my homework, I can tell you that in 2012–13 so far we have put in £334,105 of discretionary rate relief for rural businesses. I would fully support what Councillor House says. Rural areas in the East Riding are really the bread and butter as far as I am concerned: they are the heart of the East Riding; they know what it is about. It is very important to us that they are vibrant, and facilities like village shops, post offices and pubs are critical to that vibrancy.

**Q67 Neil Parish:** Can you claim that discretionary rate relief back from Government, or has it come from council resources?

**Helen Wright:** Part of it comes from council resources. We put in some of it. I would have to
recheck the figures and come back to you, but we certainly put in part of that discretionary rate relief.

**Q68 Richard Drax:** On rural proofing and the key functions of Defra’s Rural Communities Policy Unit: what is the process of rural proofing policy in local government and how effective is it, Mr House? Or perhaps, Ms Elliott, we can start with you.

**Gillian Elliott:** Cumbria has been very involved with rural proofing for a long time now. Ever since the foot and mouth crisis, we brought our own policy together, which was called Rural Matters and was our own rural proofing. Any of our own council policies that we were implementing, we ensured that they were very cognizant of what the impact would be on the rural areas. We have rural proofing built into all our equality impact statements. Everything we have done since around 2005 has been ensuring that we rural proof all our proposals.

**Helen Wright:** We are in a similar situation. We take it very seriously, and it is embedded in the development of policies and in training and guidance on drafting documents. What is also quite important in our case is that, because we have an arm’s length rural partnership with an independent chair, it has a role to rural proof policies and programmes within the council and with key partners. We do scrutinise things like the preparation and the development of the local plan and various strategies coming through from health authorities. It is a fairly informal process but nevertheless people are called to account and we ensure that things from a rural perspective get embedded, some of the proofing policies have been changed and amended to reflect the comments coming through from the rural partnership. It is very positive in that respect and a very key role for that partnership to undertake.

**Councillor House:** I would come back to localism, almost inevitably: a one-size-fits-all approach is not going to work for rural proofing, given that the needs of different communities are, by definition, very different. If you talk about an ex-mining community and a coastal community, they are almost certainly going to need different agendas to ensure policies work. From a broad local government perspective, rural proofing—in the same way as testing out equalities—is part of the DNA now.

**Gillian Elliott:** One thing I would say is that the difficulty we see time and again is that there are different types of rural economies. There are rural ones like we have in Cumbria and there are rural ones that are hinterlands to a city region. They are very different.

**Councillor House:** If I can briefly follow up, central Government have been pushing City Deal very effectively over the course of the last 18 months. How you really roll that out in rural communities is an important part of central Government rural proofing, so the flexibility that different rural communities can address is fully there.

**Q69 Richard Drax:** Ms Wright, on the rural proofing, what input has the Rural Communities Policy Unit had with you as a council, if any?

**Helen Wright:** Not very much; not very much at all. This is a very key issue for the role of Defra and the Rural Communities Policy Unit. They say in the Rural Statement that a key issue for them is engaging with stakeholders. They do list a lot of stakeholders that they engage with. Those stakeholders are virtually all umbrella organisations, operating at a fairly strategic level. I feel really, really strongly that we would like greater direct involvement as a rural local authority with Defra and the Rural Communities Policy Unit. It is a very key message that I would like to get across.

**Richard Drax:** You are making it very clear.

**Helen Wright:** I believe that if you are to get good rural delivery, you have to have a strong linkage between the policy and the delivery on the ground. Local authorities are extremely well placed do deliver on the ground and understand what they are doing.

**Gillian Elliott:** It is interesting: we have had a level of engagement with the Policy Unit through the roundtable events, but again, where are most of the roundtable events held? In the cities.

**Councillor House:** From an individual member perspective, my authority is not a rural authority, so it had not had contact. From the LGA’s perspective nationally, we would be very keen to put the Policy Unit in touch with selected member councils that can contribute to future approaches to rural proofing, given that there are very different needs in different areas.

**Q70 Richard Drax:** Very briefly, have you got any existing or forthcoming legislation that you feel has not been effectively rural proofed?

**Councillor House:** I make the point about City Deal again. We are absolutely right to promote growth in city regions; Lord Heseltine’s report last week is very much an important part of that agenda. However, we must not let rural communities get left behind. As Gillian has said, rural communities vary enormously, from hinterlands of cities to very sparsely populated, truly rural areas. If we want to promote economic growth in those areas we have to find bottom-up solutions, which means central Government being prepared to let go and allow those solutions to come forward.

**Helen Wright:** I would like to cite the lack of funding: small seed and core funding for things like the Local Nature Partnership and the Rural and Farming Network. That is a rural proofing element at the end of the day, because without that core funding and seed funding it is very difficult for those sorts of partnerships to move forward. Again, it is going into City Deal; there is money now for LEPS. In your case it is good because it is rural. This is the point about the different nature. In our case, it is very much estuary-based activity at this stage.

**Gillian Elliott:** From our perspective, one of the things I would say is that we have one of the largest landmass areas. If you put Cumbria over the top of London it would go from Cambridge in the north down to Hampshire, and across parts of Oxford into Essex: a huge area. Something like the schools funding formula has really been dramatically
detrimental to the schools in our area. Things like that I would say have not been rural proofed. We used to have factors that we could bring in about population density. We only have half a million in our area; big, big problem when the school funding formula has not been rural proofed, we would suggest.

Q71 Richard Drax: Finally on rural proofing, and very brief answers please—a yes or no probably will suffice—the Government are going to commission an external review of the impact of the forthcoming Rural Proofing package. Would you like to be engaged with this external review?

Gillian Elliott: Yes, most definitely.

Helen Wright: Yes, very much so.

Councillor House: Yes, on behalf of the LGA.

Q72 Richard Drax: A number of councils have written to us highlighting business rates retention as a problem that will impact disproportionately on rural councils. However, Defra gives this as an example of a policy that has been rural proofed. Who is right? Ms Elliott, do you want to answer that first?

Gillian Elliott: I said earlier that of 29,000 businesses in Cumbria, 95% have less than 20 employees. The majority of those businesses potentially work out of their own home environment. We may have levels of growth in those businesses, but that is not going to impact on business rates retention that we would actually get. The other thing is, of course, that a number of these policies that come out at the moment are not cognisant of two-tier authorities; Cumbria is a two-tier authority.

Helen Wright: We do not believe it has been rural proofed for rural businesses because we are concerned that you will not get the growth in rural businesses that you will need to make the difference. It is the same point, I think.

Councillor House: If you have had representation from individual local authorities, I would suggest they probably are right.

Chair: Ms Wright, you confused me very badly, because I think I am quoting you in your response to Mr Drax’s earlier question, in that you said that the RCPU’s work tends to engage with national umbrella bodies and that it is time-consuming that different rural communities have different needs. That was almost verbatim, I think, the written submission that we received from Cumbria Council. So there is clear unanimity in response to the issue about engagement. To what extent do you think that there is an organised dialogue between rural policy experts in local authorities and Defra’s Rural Communities Policy Unit? You are shaking your heads.

Helen Wright: I do not think there is an organised one. This is not to be critical of them, because they are there if you want them; we have some very good contacts. Picking up Gillian’s point about the distinctiveness of areas and therefore the opportunities that you get to engage directly with Defra, we have a dedicated rural team. We are not part of any LEP situation directly, so we are not around a LEP round table. We feel quite bereft, really, that we cannot get more direct contact. I do not think there is that direct contact with individual local authorities. Clearly they engage with the LGA and that is brilliant but, with the best will in the world, it is very difficult for that to trickle down to where it needs to be on the ground.

Q73 Chair: Ms Elliot, the CRC to some extent provided that more local perspective, you have told us. It may be appropriate here to pay tribute to the work that Stuart Burgess and the CRC did.

Gillian Elliott: It was excellent, as far as we were concerned. Having a rural advocate was absolutely the right thing; somebody who came out into the rural communities. That really is vital to understanding rural communities. Let us face it; if you live in London, you look out, you see what is on your doorstep and that is what is normal. In a rural community, you need to be able to look out and see what is happening. That becomes the norm to you. Having a rural advocate out there worked.

Q74 Chair: Do you therefore think it was a mistake to get rid of the rural advocate?

Gillian Elliott: We are early on with the Rural Policy Unit, but I genuinely think that we are missing something by not having the advocate.

Helen Wright: I would concur with that. I would particularly like to support his visits to different rural-community scenarios. He came to the East Riding to look at coastal communities and coastal issues, and it was a very vibrant visit. He engaged with communities and he went back and presented his report. It is that engagement at the most local level that is important. If mechanisms are in place so that we can truly feed that upwards to inform policy development, we may be some of the way there. It is exactly the point you made, Gillian: it is what is actually out there and who really understands that.

Q75 Chair: There is currently a gap, then. What does the RCPU need to do to ensure that those views, the views that are at the moment hard to reach within rural communities, are actually heard and taken on board by Government? What mechanism would you like to see in place to overcome that problem?

Gillian Elliott: I think they have to be out and about on the ground. It is that person who is the advocate. It is time-consuming as different rural communities have different needs. We know how far it is to travel between one place and the other. They need to know exactly the same.

Helen Wright: I agree with that, but again I would at least like to see some sort of direct contact with rural practitioners in rural local authorities, so that that information can be shared.

Councillor House: I have a slightly different perspective as the umbrella organisation, perhaps inevitably. We recognise that it is actually very difficult for central Government to reach out, talk to and have a proper individual dialogue with every local authority across the country. As a membership organisation, that is our job. We can be part of filling the gaps there. That is not to negate the need to have more local dialogue but, as the umbrella organisation, we ought to be part of the solution. We would like to see more regular contact with all parts of Defra. We would also like to be part of the process earlier on, particularly with policy development. Often we see
from central Government policy development happening in isolation from the people on the ground. More dialogue earlier on removes problems arising simply through poor drafting of legislation.

Helen Wright: Could I just cite one example? We were fortunate enough to be one of the Rural Pathfinders four or five years ago. John Mills, who was with Defra then, brought together what he called the ‘Pathfinder family’, plus one or two others. It was basically people who were broad-based rural development practitioners. It was the most excellent vehicle for us to see what was going on nationally and to get that interface, and for him to find examples of different ways of delivering services in the broadest sense and to have that fed back up. I would not want to be exclusive to people, but it was a very good vehicle for getting that interchange between practitioners.

Chair: It was; I remember it well.

Q76 Neil Parish: I want to talk a little bit now about affordable housing. How important is affordable housing to sustain rural communities, especially small ones?

Councillor House: It is absolutely vital. The critical issue from a local authority perspective is funding. Mr Drax touched on that from the other angle, in terms of viability, earlier on. Given the changes to property values over recent years, it is inevitably the case that viability is an issue. The answer to that is to be finding other methods of getting finance into the system. If we are going to deliver affordable housing, there are only a certain number of pots available. If we are not going to take the money from the developer, then we either have to find new sources of local authority funding—some of the discussion recently about opening up local government pension funds can and should be part of the solution there—and there is also local authority borrowing, as I have already mentioned. Prudential borrowing is encouraged by the Treasury for all other aspects of local infrastructure, but not for housing. We have a crisis in housing, right the way across both rural and urban areas. Allowing prudential borrowing and removing the cap can be a solution.

Q77 Neil Parish: I have people come to say to me they are very keen on affordable homes, but they are just not there. To what extent do you find problems actually finding sites for affordable homes?

Gillian Elliott: I am not convinced that the sites are the problem, for us. In areas like Eden and South Lakeland, we are talking about it costing people seven times the average wage to get their deposits down on properties. In our rural area, tourism is vital as the main employment and it is a low wage sector. We do not necessarily have problems over sites, but we do have problems over having sufficient key worker accommodation. Access to farm development that is more in line with it being multipurpose use, not just properties for tourists, would be beneficial as well.

Q78 Neil Parish: I have a couple more supplementarys. What impact will the measures in the Growth and Infrastructure Bill have on the provision of affordable housing in rural communities?

Councillor House: We have argued that the Growth and Infrastructure Bill is very much a missed opportunity in a number of ways. The issues are around planning. There is a strong argument that centralising planning decisions will actually make them slower, rather than faster; that there is a capacity issue within the Planning Inspectorate anyway; that there is a risk that the issues of local accountability become so marginalised that they actually make nimbyism more, rather than less of a problem. We would argue that, if local authorities could create their own local permitted development right schemes, rather than have a national Permitted Development Right Scheme, it would allow for more problems to be solved. We do not believe that the proposals in the Growth and Infrastructure Bill will assist in that area.

Q79 Neil Parish: Naturally the local authorities would have the right to let those as well? Because that is also an issue sometimes, when you have affordable homes and they do not necessarily go to the people in the area that they think they should do.

Councillor House: Yes, absolutely.

Q80 Neil Parish: The final one is to what extent you are concerned about the impact of housing benefit reforms, in terms of under-occupancy. I know some of the rural housing authorities and housing associations do not necessarily have the stock of houses to be able to find smaller houses for individuals.

Councillor House: Typically, a physically large rural district with a small population and a small stock has not got the flexibility to deliver. For example, there is an issue where a resident is in a three-bedroom property yet may fill a vital role in the local economy. Their loss of housing benefit, because of under-occupancy, is going to force them to move. Where they can be moved to, in reality, is an unanswered question for many of these people. I am sure you have all got casework of examples yourselves in your communities, be they rural or urban, but they are by definition more acute in rural areas, where that flexibility is much lower.

Q81 Neil Parish: Although they are different departments, there almost needs to be a link between the allowing of building of houses and freeing up of borrowing, linked to the type of houses built in order to be able to fulfil the policy. If you need to build some smaller houses, you could do it and so on. Is this too complicated?

Councillor House: You are arguing for localism. Local authorities inevitably back that.

Q82 Mrs Glindon: The Federation of Small Businesses has called for LEPs to “Take on greater responsibility for setting a strategic vision for their areas, so that rural infrastructure and planning development moves forward in a way that reflects the needs of local economies.” Do you agree and, if so, do you think that LEPs have the capability to perform this role?
Gillian Elliott: It depends on the area and the LEPs. For example, we are quite fortunate that Cumbria County Council is coterminous with our LEP. We sit on a public-private partnership, so there are councillors who sit on the board alongside the private-sector members. As a consequence, it is right and proper to be able to have that strategic conversation about planning issues, but LEPs have been set up in different ways in different areas. That comes back to localism. In reality, there is a strategic conversation going on about what the need of the private sector is and how the public sector can come forward with the right tools of delivery.

Councillor House: I am very nervous about devolving too many responsibilities to Local Enterprise Partnerships. The capacity issues vary enormously from one to another, as has been described. The evidence before this Committee’s last session touched on some of these points too. There is also a fundamental issue about accountability. By definition, Local Enterprise Partnerships are not fully locally accountable; they are indirectly accountable. We would strongly argue that local authorities are much better placed to pick up these responsibilities because they are directly accountable to the communities they serve.

Helen Wright: The only thing I would add is that, unlike Cumbria, as I said earlier, the geography of our LEPs is extremely complex. Certainly the Humber one is very focused at this point on estuary-related activity, although there are subgroups on either side of the river that are going to start to pick up some of the rural issues. There is a link through to your question that the LEPs, far more overtly in instances where there is a hinterland, go down the road of ensuring that that rural voice and that rural element are in there and that mechanisms are put in place to make sure that happens.

Q83 Richard Drax: We move on to the thorny issue of rural transport. The Government are helping community transport out, investing £10 million in 2011–12 and 2012–13, money that local authorities can use to help address your local transport problems. Is greater use of community transport the right strategy for improving transport in your area, Mrs Elliott?

Gillian Elliott: We have 7,000 miles of roadway. We have huge gaps between where our villages are and where our market towns are. For transport in a rural area, it is enormously difficult to be able to set one strategy that will meet the needs of each area. It is very difficult.

Q84 Richard Drax: Each area has to have its own strategy.

Gillian Elliott: I think it has to. For us, a lot of it is down to community transport opportunities. It is down to how you actually link arrangements.

Q85 Richard Drax: Can I put a crude example? If you want to get people out on to farms to milk cows, the bus has to leave at four in the morning. If you want to get people to go into the office in town, you have to go at eight in the morning. Gillian Elliott: There was a comment earlier about how, in a rural area, if you do not have two cars then two people cannot go to work, because they are in different areas. It is not a luxury, it is a necessity. In my village, we do not have any buses at all. If the children want to go to school, you take them there and then you go to work, or else they have to ride their own bikes, and, again, you are on rural roads. Transport and any form of community transport are problematic in rural areas.

Helen Wright: We certainly invest a lot of energy into the community transport sector and we see it as providing a vital link for our isolated communities, but it is only part of the problem. One of the things that we have been talking about around that is this business of linking it to NHS transport, with stuff linked to special needs. Certainly if a bit of pressure could be brought by Government on encouraging more joined-up thinking on this, we would find that very beneficial, because it is not always easy to achieve. We have problems with rural transport generally around the concessionary fares. The problem is such that the buses are becoming unviable now, because of the concessional fares system. Therefore, unless some sort of levy can be raised for people, who seem willing to pay a small levy, we are going to have to look more towards the community transport sector. We believe quite strongly that it meets some of our needs. The thing about getting to the farm at four o’clock in the morning is that we have a Wheels to Work scheme, which helps those sorts of individual issues.

Councillor House: There needs to be a fundamental rethink about how we make public transport funding work. At the moment, we are effectively subsidising some commercial services through the bus operator subsidy system. That subsidy arguably does not need to be there. I have already described what I have called the “perfect storm” of rising fuel prices and general rising costs meaning that commercial operators are deregistering more services; local authorities naturally do not have the funding to pick those up. Therefore, we are seeing more and more communities become isolated, and inevitably community transport has to be part of the solution to that. The simple answer to your question, Mr Drax, is, yes, absolutely. Community transport has to be looked at more frequently with more bespoke solutions, as we have heard described by my colleagues.

Q86 Chair: The Country Land and Business Association has said there “must be greater flexibility to allow upland farmers to … diversify”. They have said that that “will inevitably mean a more flexible attitude towards planning, especially within National Parks”, is required. Do you agree with them?

Gillian Elliott: I think our National Park has moved on leaps and bounds in the last few years. They are working very closely with developments at the pre-application stage to make sure that problems are alleviated at the earliest opportunity. No doubt it is harder in a National Park, but I think that our own National Park is working very closely with developers. In upland areas, yes, it is difficult. All
services are much harder in upland areas. The National Parks are protecting what is a national asset, but they are working very closely with businesses to make sure that they are ensuring that they do not stand in the way of business.

Q87 Chair: Finally, to all of you, clearly we must try to advance our economic growth in rural areas, but without jeopardising the natural environment. Is there anything in the Government’s current planning proposals, which we have not already touched on obviously, that gives you concern for the natural environment and any potential risks that there may be?

Councillor House: The quick, simple answer is that the removal of permitted development rights on small householder extensions is going to cause us decades of grief. A short-term problem with a long-term consequence, with respect, this has not been thought through. Both local authorities and Members of Parliament are going to have enormous grief on this, because of the environmental damage and degradation that follows.

Helen Wright: I would support that but, in terms of the National Planning Policy Framework, for example, we are really quite receptive and pleased with its greater flexibility for the rural economy. I hope we have the skills within the authority to make sure we get the balance right in our own local plan as we take development forward.

Gillian Elliott: I do not think I can add anything to what has been said.

Chair: In that case, I thank you all very much for your time. My apologies once again that we were delayed by the votes, but you all understand that that is the nature of democracy. Thank you very much.
Wednesday 28 November 2012

Members present:
Miss Anne McIntosh (Chair)
Barry Gardiner
Mrs Mary Glindon
Sheryll Murray

Examination of Witnesses

Witnesses: George Dunn, Chief Executive, Tenant Farmers Association (TFA), Harry Cotterell, President, Country Land and Business Association (CLA), and David Collier, Chief Rural Affairs Adviser, National Farmers Union (NFU), gave evidence.

Chair: Good afternoon and welcome, gentlemen. Thank you very much indeed for agreeing to be with us this afternoon as part of our inquiry into rural communities. I just for the record, if I could ask each of you in turn to introduce yourselves, giving your name and position.

George Dunn: My name is George Dunn. I am the Chief Executive of the Tenant Farmers Association.
Harry Cotterell: Harry Cotterell, President of the CLA.
David Collier: David Collier, Chief Rural Affairs Adviser for the National Farmers Union.

Q88 Chair: Can I just ask each of you—and if you agree and have nothing to add then you do not need to comment if you do not wish. Have you noticed any changes, for better or for worse, since the Rural Communities Policy Unit was created in the Department?

George Dunn: I think it is probably too early to say, Madam Chairman, in terms of the impact. There is certainly a lot of rhetoric and a lot of talk around. We thought that the CRC was doing a very good job. We were sad to see it go. There have been a lot of things said and a lot of things published, but we have yet to see necessarily a vast amount of improvement.

Harry Cotterell: Yes, I agree with George.

David Collier: We have seen both positives and negatives. If I might begin with a negative, when the CRC did consultation responses to Government Departments they were published for all to see. With the situation we have now the wiring is hidden, as it were. So we do not necessarily know whether the unit is giving an accurate rural perspective and, as far as I know, their views are not then shared with stakeholders. But in other ways they have engaged with rural communities and with farmers; that is both in terms of publications and also attendance at events and, of course, their support for the Rural and Farming Network. So there are positives as well as that negative.

Q89 Chair: Given the fact that you each represent organisations with rural businesses, do you believe that the Rural Statement was fit for purpose? Is it comprehensive? Does it cover all the issues that your members would wish it to?

Harry Cotterell: We welcome the Rural Statement. What we really liked about it was its emphasis on growth. We did feel that, in the run up to the Rural Statement, there had not been enough emphasis on growth, despite it being a Government priority, perhaps, within Defra. So, broadly speaking, we thought that it was a good thing. It was precisely that: a statement of where we are in any moment in time. It did not have anything new in it at its launch and, broadly speaking, we thought that the emphasis on growth, the rural proofing element and all the initiatives relating to broadband and diversification and growth in rural areas was all very good stuff.

I think probably our one concern about it was that it treats housing as purely a social issue. We understand affordable housing in rural areas is very much a social issue, but it is also one of the key areas in times of economic difficulty where you really can kick-start the economy. So we think that there should be an economic emphasis on provision of rural housing as well as a social imperative.

George Dunn: I would agree with Harry. I would add that we had a bit of a concern that the statement was trying to be all things to all men and did not really differentiate between the different aspects of rurality—upland, lowland, very remote, close to population centres, landlord-tenant, etc. It tended to lump everything in together, which obviously means that the policy mechanisms are not exactly very astute in ensuring that the right objectives are met.

David Collier: I think our feeling is that, yes, it was a comprehensive statement and clearly it was quite a task to work together with several Government Departments in order to bring all those different strands together. It was a little bit disappointing that there was not more in there that was new. I think that our feeling was that there were some good commitments to action, but we do need to see action following through from the promises.

Q91 Chair: What do you think are the key barriers to growth for rural businesses and do you believe that the Rural Statement gives real teeth and power to address them?

David Collier: If I might go first on that one. I think that we would make the distinction between the barriers facing rural businesses and the barriers facing other businesses, including non-agricultural enterprises on farms. In agriculture and horticulture, the barriers include the unbalanced supply chains, regulatory burdens—including but not just planning—availability of skills and the training to get skills up to the mark, access to broadband and access to the
limited grant funding. But if we were looking at farm diversification, I would say that we find that access to finance is more of a problem; that banks tend to be more cautious when a farmer is doing something non-agricultural where they do not have prior experience. Looking at the barriers as a whole, it is surprising how little has changed since 2007 when there was a Defra report on the barriers to farm diversification. It identified validity of market research, capacity to develop a considered business case, business skills and training, the availability of suitably skilled workers, regulatory controls, access to broadband, lack of specialist business advice and access to grants. So it is remarkable how familiar those things still are to us. **Harry Cotterell:** I think David has covered the majority of the agricultural issues. The only one I would add is the weather. Do not underestimate the impact that the weather has had on the rural economy through the summer, on the harvest and on all aspects of agriculture and rural tourism, right across the board. But as far as growth for the majority of our members’ business is concerned, the planning changes that have come through the National Planning Policy Framework have been very welcome, there is no doubt about that. They will make it much easier for our members to diversify, expand and grow their business, but they are not the panacea, because at the end of the day you are not going to take the decision to grow based on the structure to which you have to operate. You are going to take the decision to expand your businesses based on the economic outlook that you are confronted with, and I think at the moment the difficulty is that there is not enough confidence in the economy going forward for people to take significant investment decisions.

I agree with David’s point about access to finance. It is much more difficult for diversified businesses, particularly if you separate them to minimise risk or incorporate them and take them away from the landed asset. If you are borrowing money to buy land and you are prepared to use that land as collateral, it is relatively simple to raise capital. Not so if you are doing, say, a renewable energy project with a diversified business.

The only other point I would like to make is that business rates on empty properties, which we come disproportionately impact on speculative development in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm in the countryside. I am afraid that no one in their right mind is going to convert a redundant farm in the countryside.

**George Dunn:** I would just add one issue to the list of agricultural matters that David and Harry have talked about. As you know, Madam Chair, we take a pretty parochial view of life representing the Tenant Farmers Association. The availability of sustainable opportunities for entry into and expansion and progression within the industry through agricultural tenancies is a real problem for us. It is the lack of willingness of the Treasury to look at some of the fiscal incentives and changes that have been proposed as long ago as 10 years in the Tenancy Reform Industry Group’s initial report and that have been further developed down the years. The Treasury appears to be disinterested in looking at fiscal means to encourage better practice for businesses to get access to tenanted land.

**Q92 Chair:** If we could move on to rural broadband, do you believe that rural businesses have access to broadband at the same speed and the same accessibility generally as businesses in urban areas?

**Harry Cotterell:** No. Sorry; you tee them up and I will hit them. No, absolutely not. We welcomed the Government’s commitment to provide a 2M bps service by 2015. We are very concerned that that target is not going to be met.

**Q93 Chair:** But will it be at the same speed even if they meet that target?

**Harry Cotterell:** No.

**Q94 Chair:** And are you making that point?

**Harry Cotterell:** We are making the point that we think that by the time 2015 comes along 2M bps will be ridiculously slow, particularly in the age and with the increase of digital by default, both in Government and in the world at large. We are really concerned about that. It is potentially a big problem. The only way that the Government can go, we feel, now is to introduce a universal service obligation. I think that is absolutely key.

**Q95 Chair:** Just before I hear from George Dunn, could you just be clear: what is the difference, in your mind, between universal obligation and access to each household?

**Harry Cotterell:** That is basically access to each household.

**Q96 Chair:** You do not think there is any nuance between them?

**Harry Cotterell:** No, but I think the universal service obligation puts the obligation on the provider—BT in the majority of cases, in the rural areas particularly—to provide. They have an obligation to provide. We would not be the first to do it either. I think it is already in Denmark.

**Q97 Chair:** I think Lithuania has the fastest speeds, which is very rural and quite hilly, but Denmark, obviously—I happen to be half-Danish—has a fantastic system, as does Sweden, and Finland as well.

**Harry Cotterell:** I know; the Danish are brilliant at everything. But I think they have a service obligation, which is that the provider is required to deliver.

**George Dunn:** The CLA has been a tremendously important lobby group on this particular aspect and has been quite terrier-like in the way that it has approached this business, and I agree entirely with what Harry says. The one thing I would add is that with this move to digital by default, particularly for things like VAT and perhaps for the Single Farm Payment in the future, the trite answer from
Government that you can use an agent if you do not have adequate internet access is, frankly, appalling in today’s terms. It does add costs to businesses if you have to go down to use an agent to fill out whatever form you have, so we really must get this obligation in place by 2015.

David Collier: I would like to come in on broadband speeds, if I may. Our conclusions are that businesses really need to be moving towards 10Mbps, rather than 2Mbps; that mostly they do not need superfast broadband; and what we are now finding, of course, is that the European Commission, because of the European target of at least 30Mbps, is reluctant to fund or part-fund any schemes that will provide anything less than 30Mbps. So anything that is, say, reliant on satellite and is only going to provide something like 10Mbps or 15Mbps cannot benefit from any public funding. So it seems that in a lot of instances we are going to be faced with a choice of feast or famine: either 24 to 30Mbps or practically none at all, when if we can get to something like 10Mbps everywhere then we really would be making progress.

Q98 Dan Rogerson: I just want to follow up on the point that you made, Mr Dunn, about completing applications and so on. A related issue: has this been an issue in terms of VAT returns?

George Dunn: It has been, yes.

Q99 Dan Rogerson: Have your members contacted you?

George Dunn: Yes. Quite a number of members have expressed severe angst at having to trapse off to their accountant to provide the necessary forms to the Inland Revenue.

Q100 Dan Rogerson: Did you take that up with HMRC when they made that change in policy, and what was their response?

George Dunn: Yes, we did. There was a pretty lacklustre response, which is the one that we have heard—that agents are the way to go. Indeed, the RPA is now looking to develop the use of agents in relation to its service provision on the back of what HMRC is now looking to develop, and that is the one that we have heard—that agents are the way to go. Indeed, the RPA has announced by the then Culture, Media and Sport Secretary in August, a large chunk really needs to be directed towards the last 10% of the population. I do not know whether we would be able to confirm the CLA figures. It sounds to me optimistic that the £20 million might get to 4% of that last group—I think that is what you said. I think our view is that of the £300 million that was announced by the then Culture, Media and Sport Secretary in August, a large chunk really needs to be directed towards the last 10% of the population if we are going to provide that last 10% with a decent broadband service.

Q101 Sheryll Murray: On this point, do you have any idea of the numbers per area? I know in south-east Cornwall a lot of mine use the NFU offices themselves. If you could come up with specific numbers, I think it might be quite helpful.

George Dunn: I do not have any numbers for you today, but I can write to you.

Sheryll Murray: If you could write to us with those, it would be very helpful.

Harry Cotterell: On Mr Rogerson’s point, I entirely agree with what George said about HMRC, but I think the real frustration from our members in terms of lack of broadband is that when you have a customer-facing business, that side of things does matter, rather more than the tax thing, which you can probably get round.

Dan Rogerson: Just to explain, one of the reasons I raised this is that I have had some farmers, particularly older farmers or ex-farmers, who just really do not want to get a PC. It is not even the broadband; the main issue is they do not particularly want to do things online.

Q102 Chair: Can I just ask, specifically to the CLA, how many notspots will there be by 2015?

Harry Cotterell: I will write to you on that one, Madam Chairman.

Chair: That would be helpful.

Q103 Ms Ritchie: This question is to all of you and again it is about the Rural Community Broadband Fund. Will the Government’s broadband strategy, as it currently stands, satisfy the demands of your members?

Harry Cotterell: I think the short answer is no. Our concern has been that the Government’s priority is speed, whereas ours is access to greater areas. The policy driver throughout is higher speeds, the ability to do more and more, driven by the commercial aspect of the internet in cities.

Ms Ritchie: Rather than accessibility.

Harry Cotterell: Exactly. We think that their intentions are absolutely right. We cannot argue with the commitment, but we are concerned about delivery because we do not have a universal service obligation and there is therefore no commercial imperative for the providers to deliver on the ground. Until there is an obligation we are pretty sure that, whatever BT say, they probably will not end up delivering. We are also concerned that the funding that is being utilised and has gone out so far on the Rural Community Broadband Fund is not going to deliver on the 10% that BDUK funding is going to fail to deliver on. We think that it is probably going to do, at best, 4%, so only 40% of the area that it is targeted to do and maybe as little as 2% of the total area, i.e. 20% of the targeted area.

David Collier: I would add to the point, if I may, that the sparser you get the more expensive it is going to be. I think BT is spending something like £2.5 billion on the first two thirds of the population, and it is going to cost a lot more than £20 million to reach the last 10% of the population. I do not know whether we would be able to confirm the CLA figures. It sounds to me optimistic that the £20 million might get to 4% of that last group—I think that is what you said. I think our view is that of the £300 million that was announced by the then Culture, Media and Sport Secretary in August, a large chunk really needs to be directed towards the last 10% of the population if we are going to provide that last 10% with a decent broadband service.

George Dunn: All I would add to what has already been said is that this underlines the point about ensuring that we have a range of technologies available to us and that it is slightly concerning, from what we heard from the NFU, that there may be some...
public funding difficulties with some of those technologies, because accessibility is going to be key.

Q 104 Ms Ritchie: Do you believe the Government should be doing more to support technologies other than the roll-out of fibre?
George Dunn: I would say yes, as I have just answered. I pre-empted your question; I do apologise. Yes, a range of technologies need to be looked at here; we should not be ruling anything out.

Q 105 Ms Ritchie: Do you welcome the Government’s plans to relax restrictions for the deployment of broadband infrastructure?
Harry Cotterell: Yes.
David Collier: Yes.
Harry Cotterell: In the Growth and Infrastructure Bill, yes.

Q 106 Ms Ritchie: This is another question about the issue of penetration or accessibility into hard-to-reach rural communities. How have your members with slow or no broadband access coped with the increasingly digital-by-default approach of the Government? I think you have already maybe stressed some of those points, but if you could just answer that point.
David Collier: Can I come in on that? We were talking about HMRC and I think particularly VAT returns, but if anything is going to get worse over the next year or two, because the PAYE annual returns are having to be done online. We will move fairly quickly to a situation whereby if someone is paid weekly then the PAYE records will need to be filed weekly. We have the situation that I think has been briefly alluded to, that when we have the next programme for the CAP, from 2014 onwards, the intention is to have the single payment paid online. We have of course the universal credit, which is going to be online, and there are always pressures to move other things—cattle movements and so on—online. I think our view would be that, yes, it should be the other things—cattle movements and so on—online. I think you have already maybe stressed some of those points, but if you could just answer that point.

Q 107 Ms Ritchie: So your assessment of the Rural Community Broadband Fund would centre on the issue of accessibility and something needing to be done in that area.
George Dunn: Yes.
Harry Cotterell: Yes.

Q 108 Sheryll Murray: Can I turn to the Mobile Infrastructure Project? The Government has reduced the scope of this project from improving access to six million people to helping about 60,000 households. As it now stands, will this project address sufficiently the problems of lack of mobile connectivity in rural areas?
George Dunn: It is certainly a much more difficult issue to get a handle on. We feel that the Government has been promoting more the broadband side. We are not too sure how joined up the thinking is on the mobile side, but we cannot see, from what is in the package at the moment, that there will be sufficient scope to increase the amount of coverage that will be required. We are nowhere near a commitment or an obligation in relation to the mobile coverage.

Q 109 Sheryll Murray: I know it could have possible implications for your members, for instance, from a safety aspect, because if an accident happens out in the fields and there is no mobile coverage it leaves them quite isolated, does it not?
George Dunn: Absolutely, and in terms of the business that we do as an organisation, the amount of calls that we take during the day on a mobile phone has greatly increased, and if you do not have that coverage then you are exposed in a number of different directions.

Harry Cotterell: I think the difficulty is that the measurement is in numbers of households and quite often you do not need a mobile in your household because you, hopefully, have a landline and maybe even broadband. It must be area covered, because in our businesses people are remote. They may be near home, but they may be two, three or four miles away. They may be at market and that can be remote and it is terribly difficult, if you are not utilising area as a measurement, to get a true reflection of what is being delivered. We do welcome, though, the £150 million that has come. We think that can only benefit coverage and we would definitely be pushing your point about the health and safety aspect of mobile phones and lone working, which is so often the case now in the countryside. People are out there working by themselves and their lifeline effectively is a mobile phone.

Q 110 Sheryll Murray: I do not know whether you have any reports, but I know, in particular, fishermen have reported since they moved from analogue to digital phones the coverage at sea was greatly diminished. I do not know whether you have any information about whether any of your people that you represent have noticed the same.
Harry Cotterell: I have no idea, I am afraid.
George Dunn: Nothing has come up.

Q 111 Neil Parish: Good afternoon, gentlemen. I want to turn to planning now. To all of you, are the Government reforms to the planning system enough
to allow farmers to diversify, particularly those based in national parks, and what more could the Government do?

George Dunn: Shall I kick off again from my very parochial standpoint? Obviously, tenant farmers are businessmen and do not want the planning system to get in the way of expanding their businesses. But it can be somewhat of a double-edged sword, because the more flexible and freer you make the planning system, the easier it is for the landlord to be able to look at change of use, for example, on a particular piece of land and serve notice to quit on the tenant to give up that land. Now, we have received assurances from the Government in relation to the National Planning Policy Framework that the ability of the tenant to claim the impact on his personal circumstances is a plan-led planning system and if it is easier for a landlord to take buildings or land and change the use class then we could see some of our members being more vulnerable. So we are absolutely looking for flexibility in the planning system, but also for sufficient protection for tenant farmers who are perhaps more vulnerable when the planning system becomes easier for landlords to use. We do not see what there is to gain for rural growth by allowing somebody to trounce somebody else’s business in order to do another business. So as long as there are the appropriate safeguards in place, the planning reforms are reasonable.

Q112 Neil Parish: That is an interesting point. I think I had better turn to Mr Cotterell now, had I not?

Harry Cotterell: We welcome the NPPF. I refer to my earlier comments that the economic climate is probably going to drive growth more effectively than the framework, but we are concerned that the various changes to the framework will encourage people to diversify and grow their businesses. That is all good news. The presumption in favour of sustainable development is excellent news. It is effectively, though, a plan-led planning system. The local plan is going to be so important, and the neighbourhood plan as well. It is interesting that if your neighbourhood has the intention of putting a plan in. So it is incredibly important that those plans are, first, absolutely correct in terms of growth and that they are going to encourage sustainable development and, secondly, that they come up with the various housing requirements; i.e. that they are a plan for growth rather than a plan to prevent any form of development. So we are concerned about the roll-out, and we are already seeing that certain local authorities are cherry-picking parts of the NPPF that they like and ignoring the other parts, but we have already heard that the Planning Inspectorate are coming down fairly firmly in their decisions on that kind of operation.

I think in terms of the Growth and Infrastructure Bill there are a few planning measures that we are very interested in. They are not that focused on the rural areas. We are pleased that the Government are bringing forward a proposal to reduce the amount of pre-application paperwork that is required before an application is validated. One of the problems we have in the rural areas—I am sorry I am going on at length on this, but it is such a big problem for our members—is that the majority of our members and the majority of rural developments are very small, and the paper requirement is pretty much the same for a small development for an extension in the countryside as it is for a supermarket on the fringe of a town. Therefore, we are very happy that there is a proposal to reduce the amount of paperwork.

Q113 Neil Parish: And also the national parks in particular, as the question here is targeting. Is there a particular problem to get planning in national parks?

Harry Cotterell: Our members always find that national parks are more difficult to achieve planning in, for obvious reasons, but the NPPF applies to national parks as much as it does to any local authority and we will have to see. The proof of the pudding in that case will be in the eating. We think the right to apply direct to the Planning Inspectorate will not very often be used by CLA members, because the scale of development means that you should be able to sort it out, but we do think it is probably useful to have that sanction available at the end of the day to encourage planning departments in local authorities to work better. The Section 106 affordable housing thing I think is really much more an urban one and I will not go into that now unless you particularly want me to.

David Collier: I would agree with much of what Harry has said there. Our starting point would be that farmers need flexibility to be able to alter buildings and, in some instances, construct new ones. Clearly they cannot merely put up replicas of 18th and 19th-century buildings. They need to be able to use modern buildings and have a decent span. Yes, we do have more problems in national parks than in some other areas, but, as Harry was saying, it is for obvious reasons. What we do find is that national park officers often have a better understanding of farmers’ needs than planning officers in some other areas, so there are positives as well as negatives associated with living and farming in a national park. I think that we are concerned about the way in which green belt policy is being applied in areas closer to towns. In fact, we were so concerned about the way that a couple of glass house appeals had been decided recently that in mid-September we wrote to the Communities and Local Government Secretary expressing concern about what was happening there, because it was accepted by the inspectors that the glass houses were agricultural—

Chair: I am so sorry, we will be interrupted by a vote at four and we were hoping to have concluded your evidence by then. If we could keep the answers a little briefer.

David Collier: Right. Suffice to say we are concerned about the way green belt policy is being applied, so we have asked the Secretary of State to clarify matters.

Q114 Neil Parish: On the Home on the Farm scheme, which is where you are trying to get a home
for somebody on the farm, is that working? Do we need to do more?

Harry Cotterell: It is a difficult one, because we welcome it, but we were sceptical about its ability to deliver, because quite often farm buildings that have not thus far been successfully developed may not lend themselves to being converted in the way that the scheme envisaged. We think there are other, better ways of delivering housing on farms than the Home on the Farm scheme.

Q115 Neil Parish: It is absolutely logical to have it in areas where you have a house and there are no houses in the vicinity, especially if it is a very rural area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

David Collier: We will do that.

Q116 Chair: Could I just briefly ask about fuel poverty, which now, certainly in North Yorkshire, is a real area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

David Collier: We will do that.

Q117 Chair: Can I just briefly ask about fuel poverty, which now, certainly in North Yorkshire, is a real area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

David Collier: We will do that.

Harry Cotterell: I think the difficulty in the rural areas is that you are reliant on probably only one or a maximum of two types of fuel to heat your house, and it is almost invariably not the cheapest form of fuel, which is gas. Central heating oil, which is often thought of as the rich man’s fuel, is not; in the rural areas it is everyone’s fuel and I think that is a big problem.

In terms of transport, I think it is a given. We all accept that one of the major disadvantages of living in the countryside is that you are reliant on a car, and we always follow the fuel prices very carefully.

George Dunn: There may be something that can be done in wider policy areas, for example the way in which council tax is applied and the way in which vehicle excise duty is applied, to lessen the burden on those in rural areas. But it is a knotty problem that is not going to go away very easily. If there was an easy solution we would have found it by now.

David Collier: On fuel poverty, we worked with the other members of the Rural Coalition in lending support to a private Member’s Bill that would have enabled people to buy winter fuel when the fuel was cheaper than at its peak. That would seem to be the sort of measure that might help people in the most need, but of course it does not help with transport fuel.

Q118 Chair: Could I just briefly ask about fuel poverty, which now, certainly in North Yorkshire, is a real area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

George Dunn: The planning system has always relied upon individuals who are elected by and from the local area to provide solutions. It certainly needs to be looked at again in relation to the national parks set-up, yes.

Q119 Chair: Could I just briefly ask about fuel poverty, which now, certainly in North Yorkshire, is a real area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

David Collier: I think I would agree with Harry that LEPs need more resources, but there are things that they could do now before they have a major increase in the resources available to them. You may be aware that last week the Commission for Rural Communities published a report on how Local Enterprise Partnerships are serving rural areas. We were pleased to see that they picked up a number of the points that the NFU made about the linkages between different parts of the economy; promoting interaction between different economic sectors, and having sub-groups that include industries like agriculture along with kindred sectors, rather than divorcing rural affairs from others. So there are a number of things that can be done. The CRC recommended that every LEP board should have a rural representative, and that would seem to make sense.

Q120 Chair: Could I just briefly ask about fuel poverty, which now, certainly in North Yorkshire, is a real area. Do you have any ideas that you want to put forward to us that we can put down in evidence? It would be interesting if you could write to us on that particular one, because it is something I particularly feel strongly about.

David Collier: Broadly speaking, yes. There are some frustrations. The Rural and Farming Networks seem to be operating reasonably well, but we are not hearing from Defra what is happening with meetings of the chairs of the various network groups from around the country. We are not being sent the minutes, so it seems that Defra is reluctant to engage with national stakeholders and prefers just to engage with
those networks. It would seem to be an opportunity missed.

**George Dunn:** I would just say that there is a grave concern that we have such a multi-layered approach to life that some of these groups are falling over each other in trying to outdo one another for profile. There is a sense that there is a lot of talking going on and there is a concern that we measure success by the amount of talk and paperwork that is produced rather than action on the ground. We just are worried that the complexity of the system is becoming a problem.

**Q120 Dan Rogerson:** Are there any specific measures you think the Government should look at in terms of how the Rural Communities Policy Unit works in order to ensure that the views and challenges facing some of the hardest-to-reach communities are reaching Government, not just within Defra but also in terms of its role in leading across all Departments on rural policy? Is there anything you think that they should be doing now to improve that reach?

**George Dunn:** There is a real need to harness the views, expertise and skills of those at a very local level, absolutely. Certainly in the discussions that we have with our members—and I have said this many times—they feel disenfranchised in the whole system, in that they believe they have solutions perhaps at a very micro level to issues that need to be resolved and finding a way for filtering those up is often very difficult. By the time they do get filtered up they have been changed or forgotten altogether. So there needs to be that two-way conversation with the local people to ensure that the skills and the knowledge that they have about the places that they work and live in are taken on board. That is why we were so pleased with the CRC uplands report, because they bothered to take the time to go out and listen to nurses, teachers, doctors, farmers and land users on the ground and produced a really rounded report. We are a bit concerned that what we have now does not provide for that mechanism.

**Q121 Dan Rogerson:** It is the outward reach into communities.

**George Dunn:** Yes.

**Harry Cotterell:** Nothing to add.

**David Collier:** Nothing further. I agree.

**Q122 Ms Ritchie:** On the issue to do with CAP reform and the need for some resolution, a delay in CAP reform will lead to a gap in agri-environment funding. How confident are you that this will be avoided and transitional payments will be put in place?

**Harry Cotterell:** Very, are we not? The Minister has been quite clear that that will not happen. I am sure there will be a delay in the reform package, but I would be horrified if I heard anything but the fact that it will continue as agreed until the package is implemented. I do not think there is any question that it will not be though, is there?

**David Collier:** Certainly my understanding is that the single payment would carry on, but there could be disruption to payments under agri-environment schemes. We could be talking about a long gap when there are no capital grants available, and so we could be going from 2012 right through to 2015, 2016, perhaps as long as four years, without any support in terms of capital grants, and that would be a concern. It is important that the Commission does come up with transitional arrangements as soon as possible, because we are concerned that if member states are asked to work on the basis of legitimate expectation of a legal framework being put together, they could go off the rails, and that would be very unfortunate.

**George Dunn:** I think that you also need to bear in mind that there are some wider considerations with regard to the inertia with the policy. If you look back to the last CAP reform in 2003—and it is an issue for the agriculture tenanted sector—having had a year-on-year increase in the amount of let land in the agricultural industry, we fell off a cliff in 2003 as landlords reserved their position pending the implementation of CAP reform. We are already experiencing that now as landlords are rezoning their position with regard to what happens next and, therefore, the supply of agricultural land for tenants is going to diminish over the next few years while we wait for the CAP to be resolved.

**Q123 Ms Ritchie:** At what point in the next year do you think there needs to be a signal from Defra—a clear message—about funding of agri-environment schemes and rural development schemes?

**George Dunn:** As Harry said, the clear signal has been given already. So, as far as agri-environment schemes are concerned, the signal has been given.

**Q124 Ms Ritchie:** Could we move on to the issue of rural proofing and this process of the proofing of Government policies to ensure that they reflect rural issues? The Government have committed to commissioning an external review of the impact of its forthcoming rural proofing package. Would you be prepared to engage with the external review?

**Harry Cotterell:** We would positively welcome engagement with it, absolutely.

**George Dunn:** I would agree with that.

**Q125 Ms Ritchie:** Do you have any examples of existing or forthcoming legislation that may have a disproportionate effect on your members?

**Harry Cotterell:** The one I gave earlier, rates on empty property, was effectively an urban piece of legislation to increase lettings in urban areas, which had a completely distorted impact in the rural areas.

**David Collier:** I think the points about the drive to digital would apply particularly to rural areas as well, since you are something like 50% more likely to be in a hotspot if you are in a rural area.

**George Dunn:** Things like the re-bandings of properties for council tax, if that is going to happen, are constantly on the agenda for a lot of my members who are living in quite large properties, but they are required to live in those properties by virtue of their tenancy agreements. There are some issues related to that as well.
Q126 Mrs Glindon: What tangible differences will farmers have noticed so far as a result of the work of the Farming Regulation Task Force?

George Dunn: A lot more paperwork, I think. There has been a plethora of consultation exercises on aspects of the MacDonald review. As yet, there has not been too much by way of concrete action, I am afraid.

Harry Cotterell: I agree with that.

David Collier: I think we are beginning to notice signs of improvement—of inspection regimes taking account of membership of farm assurance schemes, so that is less likely that a farmer will be inspected if they are a member of a scheme. It might be a good thing if farmers occasionally had a letter from an authority to say, “The reason we are not inspecting you this year is because you are a member of a farm assurance scheme and are therefore having to comply with various different requirements”.

Q127 Mrs Glindon: Overall or in general, do you have any other concerns or do you feel that the main concern is about the pace of implementation of the recommendations of the task force?

George Dunn: That is the main concern: ensuring that we drive the recommendations that Richard put together in a coherent and consistent way.

Harry Cotterell: I agree with that.

David Collier: Yes.

Q128 Chair: There are two other issues we would like to turn to, if we may, before the bell rings. Regarding the £5 million boost to the dairy industry that the Prime Minister announced in July, how easily are your member businesses able to access that package?

David Collier: We are expecting that particular scheme to be launched next month—in about a fortnight’s time, I think—so we do not know precisely what will be in there yet, but I think that Defra have been listening. We have said, on behalf of our members, that one of the things they do need to try to encourage is the formation of more producer organisations, and that would be our top priority. So I hope that will be part of the grant application window that will open shortly and that farmers will be keen to take advantage of that money.

George Dunn: I would agree with David, but there is just one issue in relation to producer organisations and those who are already involved in co-operatives and whether they can take part.

Q129 Chair: Is there anything in the Rural Statement to reduce the trade deficit in dairy produce? I know this idea of exporting is on the cards, but is there anything in the Rural Statement itself to reduce the deficit in dairy?

George Dunn: I do not recall anything in the Rural Statement necessarily. I know that we have been talking to AHDB about what they do in terms of improving exports of dairy products abroad and I know they have some plans to put some resource into China, for example, in that respect. It is important from our perspective that the levy boards do become rather more export-oriented in the way they do their business.

Chair: It would be helpful when the package is launched if we could perhaps hear if there are any particular difficulties from farm businesses at the time. That would be very helpful if we could hear in writing.

Q130 Neil Parish: This is probably particularly to David Collier and the NFU. In terms of the engagement with Defra, when the cull area was announced in January were you made aware the results of the survey of badger numbers would not be available until October? I know it is one of the thorny issues in the badger cull.

David Collier: I do not have a lot of detail on that point, Mr Parish. We knew that the FERA were doing surveys. They were expected to do 50 sq km in each of the areas and they did some additional land. The assumption was that there would be, on average, 5.4 badgers per sett.

Chair: Could you keep the answer very brief? We will have to move on.

David Collier: Sorry, yes. There were some surprises in the data. We took account of delays associated with Olympics policing, the weather, and all sorts of problems. We looked at nitty-gritty issues, such as the state of the maize harvest and the conclusion was that it was the sensible thing to postpone until next year.

Q131 Neil Parish: Are you confident that that survey will be right by next July when the cull needs to go ahead?

David Collier: As I understand it, there will not be another survey, but there will be some more digging into the data, so we should get more information from the survey results that have been put together already.

Chair: Thank you very much indeed. I thank you on behalf of the whole Committee for being so generous with your time and making the contribution you have.
Examination of Witnesses

Witnesses: John Moore, Chief Executive, NYnet; and Malcolm Corbett, Chief Executive, Independent Networks Cooperative Association (INCA), gave evidence.

Q132 Chair: Gentlemen, good afternoon. Thank you very much for joining us and contributing to our inquiry into rural communities, with a particular focus on broadband issues. Just for the record, could I ask you to introduce yourselves, please?

Malcolm Corbett: Yes. My name is Malcolm Corbett. I run an association called the Independent Networks Cooperative Association, which has about 400 members and supporters—organisations—and they are a mix of private sector companies, large and small, Fujitsu Telecommunications being one of the larger ones along with Cable & Wireless, City Fibre Holdings and a range of others: Alcatel-Lucent and so on. We also have quite a number of public sector organisations, local authorities and some community members.

John Moore: John Moore. I am the Chief Executive of a company called NYnet, which is 100% owned by North Yorkshire County Council and was set up six years ago to provide a public sector network in North Yorkshire, with a mind to use that in rural areas to facilitate broadband for business parks and community schemes. Therefore, the county council has used this company to lead its BDUK process, which presumably you will be quizzing me about shortly.

Q133 Chair: Excellent. I should declare an interest which presumably you will be quizzing me about later. Mr Corbett first, is it right that those premises—and particularly those the furthest away from the exchange at the moment—that currently do not have broadband access should be left until last in this bottom 10%? Is it right that the Government have used the two speeds to achieve, by 2015, 90% of homes and businesses having access to 24Mbps superfast broadband and that there will be basic access to at least 2Mbps. But we have just heard that it is the last 10% that is going to be the most expensive. Are you concerned about the ambition that we are seeking to achieve? Do you think that is the right ambition that is being set?

Malcolm Corbett: I think symmetry is very important, particularly from a business perspective. INCA is run by a set of people all of whom work from home, so, as a business, we require broadband both downstream and upstream to work successfully for us to be able to run our activities. Many people in rural areas are running businesses from home or small offices or small premises, so upload is important. Should the 10% be left behind? No, I do not think they should. There are examples that certainly we would like to bring attention to from other parts of Europe and North America where rural communities are receiving, partly through their own efforts, services that are way in excess of most services available in the UK today: 100Mbps symmetric services are available in Sweden for £30 a month.

John Moore: I would not disagree with Malcolm’s comments about upload and symmetry; particularly for businesses I think symmetry is essential. As far as the 10% is concerned, we have a double-edged sword here in North Yorkshire inasmuch as we kind of knew a few years ago there would be this problem, although we could not quantify it. It has taken the BDUK contract process to enable us to identify which communities will or will not get fibre to the cabinet and all the rest of it. So we have been quietly developing a number of pilot projects and we have done about half a dozen now in the country, so we understand what makes community projects work and makes them sustainable and cost-effective. In terms of being left behind, our North Yorkshire strategy is precisely not to leave them behind. Now we know where BT are going, we are going to...
progressively pursue a strategic overlay of our geographical area with community schemes in sympathy with the BT roll-out. Whether we will be successful, only time will tell. Whether the money that we have will be sufficient, again only time will tell, but we have to try.

Q135 Dan Rogerson: You described the process of getting through the European consents and so on as tortuous. Do you want to talk to us about that and say what the problems were?

John Moore: In a sense, with NYnet and North Yorkshire County Council there has been an element of luck, but you could argue you earn your luck. Because we had the company and the expertise in the company when the BDUK process was initiated, we had already had some experience of state aid because we needed to get some state aid to do the business parks, and hence we were already contemplating going for European funding. The fact that it just takes so long means you have to have stamina and you have to accept that it will take so long. You have to do the ERDF process separately from the state aid process while also running the BDUK procurement process. So I think unless you have to do the ERDF process separately, you have to accept that it will take so long means you have to have stamina and you have to accept that it will take so long.

Q136 Dan Rogerson: You just accept it is taking a long time. Why do you think it does?

John Moore: You can be cynical about it. The approach we tend to take is a very pragmatic one, which is that the rules are what they are, we have our objective and we will do everything we can to hack through those rules to get to our objective, rather than being judgmental about the process. You have to accept that there are processes, there are accountabilities and there are governances that need to be adhered to. You could argue that is a somewhat defeatist approach, but our approach tends to be a pragmatic one that we want the money, therefore we will go through the process to get it.

Q137 Dan Rogerson: Sure, and I accept that from your point of view it is, but from our point of view as the legislative and scrutineers of the process, if you like, it would be useful to know. If you have any specifics, you can write to us.

John Moore: Yes, I am happy to do that and we did try early on to give some pointers to BDUK, because we had some experience that the BDUK staff did not have early on, but I am happy to give some more detail to the Committee.

Q138 Neil Parish: Is it a problem that one company is winning all the contracts to roll out broadband? We know which company that is. Is there enough competition?

John Moore: Because we were one of the pilot authorities, we ran a process where we had at one stage six companies involved. They gradually fell by the wayside as a result of either the elements of our process or commercial decisions they made, and we ended up with two fairly near the conclusion. Some of the reasons for one of those two dropping out at the end have been well documented. But from our point of view, we went through a legitimate public sector procurement process, approved by the Official Journal of the European Union, which we are required to do, and we have to therefore accept that it has produced value for money.

Q139 Neil Parish: And you are confident of that.

John Moore: It is difficult to know how to check it. I could check it with other contracts. However, knowing, as we do now, the complications of costing a cabinet or costing a mile of fibre, you would come up with a very different answer between Rutland or North Yorkshire, Cornwall or Lancashire, frankly.

Malcolm Corbett: I think it has been quite a problem in the process. I think that when BDUK set out down this route they were hoping to have a number of different competitors in the framework, all of whom decided for one reason or another that the process was not going to work for them. I think there are certain lessons we can learn from that in terms of how we can structure things in future, because clearly there are concerns about whether we are going to get value for money; these have been publicly expressed. I understand that the Public Accounts Committee is going to be looking at some of these issues. If you only have one competitor—as a cabinet member from one local authority said to me, he would not spend £40 million on a road scheme with just one competitor in the process. He would want to see more competition than that, and I think we all would like to see that. Now, there are conditions under which we can inject more competition into future processes and I think we should be thinking about how to do that. That is certainly what INCA members are doing.

Q140 Ms Ritchie: This is to both of you. Is it the case that any network partly funded by the Rural Community Broadband Fund must be open access? If so, does that mean that local communities could end up doing the work larger telecommunications companies say is not economically viable, only to find the larger companies move in once the work is done and paid for by the community?

Malcolm Corbett: What the Rural Community Broadband Fund is for is for really to have an experiment on what is the art of the possible in the most difficult areas, and I think it is great. It is a bit bureaucratic. I tweeted earlier that I was attending this Committee and asked for comments, and comments came back saying that the Rural Community Broadband Fund is important because it is taking an economic perspective on this; it is important from an economic perspective that we get this stuff done. Secondly, unfortunately, some of its processes are a bit bureaucratic. However, it is pointing the way to finding approaches that can deliver very high-capacity services in deeply rural areas. It is a shame Mr Drax is not here, because I
have some examples from Dorset where one project, for instance, is going to cover 6,000 homes. It is using the rural funding for a third of its investment. The rest is raising from an Enterprise Investment Scheme, a nice tax-efficient scheme, so it is bringing in private and community sector funding. It will deliver fibre to the home in very rural bits of Dorset at a very affordable price.

Chair: We need to keep the answers quite short, if we can.

Malcolm Corbett: The question is: is it a problem that there are no service providers who are prepared to come and deliver services over those networks? To start with, no; later, yes. It is going to be an issue later on, but at this point in time, if the service providers like TalkTalk and Sky do not want to play, there is not much you can do about it, so you just have to get on and do things.

John Moore: Certainly in the pilot projects we have done it has been impossible to get the national players interested. We have literally had to use what you might paraphrase as “men in white vans with ladders”. We have an approach now where we are trying to be more strategic about the contracts we let, and I am very interested in some of the ideas that Malcolm has alluded to, to see if we can get some of those ideas into North Yorkshire. Because, frankly, without some of the more independent players coming in, despite my optimism about our strategy I can get a bit defeatist about whether we will achieve it unless we can find our way through some of the funding challenges. Unless we can find ways of bringing private capital in linked to community capital in some way, I think it is going to struggle. I think North Yorkshire understands this problem now. In fact, other authorities are ringing us up to find out, because they are realising that with their BDUK money, particularly if they are not getting ERDF, they are not going to get anywhere near 90%.

Malcolm Corbett: I think the real story here is that what your Department is doing is really useful. It is a little piddle of money compared to the main scheme, and that is what I think we should be doing.

Chair: The Rural Fund will not be attractive to North Yorkshire for the reasons that Malcolm has described, and I know community schemes in North Yorkshire are struggling with the process because of its rules, so possibly it is more of an exemplar. What we are looking for is whether there is a pot of money that can be accessed, because the thing that strikes me is that if you are going to try and cover 10% over a geographical area like North Yorkshire, you will not get the universal coverage by accident. Somebody has to be strategic. One of the problems with the RCBF is a small area gets done that gets its act together, but who is going to do all the neighbouring bits and pieces and all the premises between the villages that BT’s fibre does not reach? So whether it is the local authority or whoever, somebody needs to look at the whole map, see where BT are and then ask how they are going to do all the other bits. There is not enough money in RCBF to do that.

Q142 Mrs Glindon: Should the Government do more to encourage local schemes, such as Broadband 4 Rural North? If so, what could they be?

John Moore: I am not familiar with that particular scheme. What we are finding practically is that communities, particularly when they become aware of funding, often then struggle with the bureaucracy, the procurement, the state aid and all the rest that is often attached to these grant-funded schemes. So what we have tried to do with the projects that we have under way is to take all that process on board and ask them to concentrate on community sign-up, so we can then present a package to the market that says, “Here is the procurement process. Here is the patch of territory. There are X-hundred premises with Y-hundred people willing to sign up. There we are; tender for it.” That is where we are trying to get. Now, if Malcolm’s processes can feed into that, because some of his members are interested in that and can bring their investment potential and their technology, then we might have a happy solution.

Malcolm Corbett: I think that is right. There are many of these projects around the place, not just B4RN. B4RN is very famous, mainly because it has managed to raise a million quid out of its local community in order to make the investment in this process and they want to deliver very much a future-proof service. But there are quite a number of companies and communities delivering both fibre to the premises and high-capacity fixed wireless services, which can achieve an awful lot and do it incredibly cost effectively. We are seeing that right now. So, yes, the Government could do more to encourage this. We think that at least some of the £300 million that is becoming available needs to go in this direction, but we would rather see it going in a way that levers in far more private sector investment than we are currently seeing.

John Moore: I would not disagree with that.
Q143 Mrs Glindon: Is there a risk that the local schemes are more expensive for the end user in terms of monthly bills?
Malcolm Corbett: It is going to vary, but over lunch I heard today that there is a fibre to the home project in Bournemouth that finally launched its first services last month. They are offering a service that gives customers there 1Gbps—that is, 1,000M bps—downstream and 500M bps up, and the cost is £25 a month. When we worry about Britain falling behind in terms of these league tables, that shoves Britain right to the top.
John Moore: That is an interesting example and good luck to Bournemouth, but as far as rural areas are concerned, if you are in one of the upper dales or in the moors in North Yorkshire and you have a wireless scheme, you might pay £50 to £100 for a connection and £15 to £20 a month for your megabits, but at least you have some broadband to put alongside your gas and electricity.

Q144 Dan Rogerson: Mr Moore, talking about technologies that are available, what technologies would be used to roll out broadband in Yorkshire? For example, are you looking at fibre to the cabinet, fibre to the premises or something else?
John Moore: BT have the choice, because they have the substantive contract and it is a coverage commitment they have—a contractual obligation. Practically, they will use fibre to the cabinet using pre-existing copper wires. They will use some fibre to the premises, but the number of circumstances in which that is cost-effective is quite limited in our area; it might vary. In theory, they could also use wireless, but I suspect they do not want to, and, in theory, they could use satellite, but I suspect they do not want to, and, if they do, it will be because they have to meet their 2M bps universal obligation in the really wild and woolly bits.
As far as our community schemes are concerned, wireless is the way we seem to be going and it can be very cost-effective.

Malcolm Corbett: INCA members do not own any cabinets. They do not run copper networks. It is only the incumbents that run copper networks, which is BT and Virgin Media. All of the INCA members who are seeking to deliver these services are looking to deliver fibre to the premises and high-capacity fixed wireless services. That is future-proof.

Q145 Dan Rogerson: Can I just pick up on one issue there? I accept it is BT who were issued the contract, but what is your understanding of how many people would be potentially disadvantaged by the last component of that, the copper being part of that process? Would the distance from the cabinet then be a determinant of the final experience?
John Moore: As an alternative to having fibre to the premises?
Dan Rogerson: Yes.
John Moore: I would have to take advice on that. I do not know that calculation. What I am aware of is that 90% of the premises will get 25M bps using either fibre to the cabinet or fibre to the premise. Where that percentage would change, because of the distance factor, I would have to go away and advise you. The challenge in North Yorkshire is we only have so much BDUK and ERDF money and we wanted to go for coverage. If you want coverage in North Yorkshire, you go for cabinets; you do not go for fibre to the premises.

Malcolm Corbett: The issue with fibre to the cabinet is that once you get more than 1.5 kilometres from the cabinet you do not get any uplift in speed over standard DSL services.

Dan Rogerson: Yes, because of degradation.
Malcolm Corbett: About 11% of homes, according to BT, fall into that category, but there are large rural areas where there are no cabinets anyway, so you have a double problem there. So it is a problem. You also have a continuing issue about up-to speeds. With fibre to the cabinet type solutions you have to deal with up-to speeds and the concerns about that.

Q146 Neil Parish: Do you welcome the measures set out in the Growth and Infrastructure Bill for the roll-out of broadband infrastructure? If you do, how will you ensure that the views of local residents are taken into account when deciding where to locate broadband infrastructure? It says that you can put it wherever you like.
John Moore: This is very interesting, because North Yorkshire has seven district councils, one unitary and two national parks, so we are having some challenging discussions with planners about where cabinets should be and where you put the European sticker on the cabinet. We are being advised by BT and are consulting with the planners on this basis, and hope that we can come up with some amicable solutions, because we do not want a situation where we say, “No cabinet, no broadband”, because that does not solve anything. There clearly will be some issues.
If the new planning guidelines help to overcome some of those and persuade the planners to be more flexible, that will be great, but I am holding my breath in the national parks.

Q147 Chair: Could we just look at the £150 million investment that the Chancellor has announced for enabling, he says, six million people in rural areas receive improved access to mobile technology? Apparently, this has now been downgraded from six million people to 60,000 premises. Has that been impacted by state aid rules, and should we have foreseen the problems about state aid rules, Mr Moore?
John Moore: The only answer I can give you on that, because I am not familiar with all those statistics that you have quoted or the numbers, is that we have been approached by BDUK with an explanation of what they are intending to do to cover hotspots, if that is what this is about, and they are talking about a pilot in an adjacent area to ours. But they were particularly interested in whether anything that we are doing or any of our processes could help them with what they need to do when North Yorkshire’s turn comes. But sorry, beyond that I cannot really help you.

Q148 Chair: Do you think 4G technology will help rural areas?
Malcolm Corbett: Yes, because it offers higher capacity for mobile services. All of our devices, our mobiles and these sorts of things, are eating mobile phone capacity like mad and it provides an opportunity to deliver much higher quality and better services to consumers. So we see the future very much as being a fibre and wireless approach.

John Moore: If you are a high-end user and you can afford it and you want lots of megabits, fine. We are just a bit worried about the coverage that it is required to have, and we suspect an area like North Yorkshire, once you get outside York and Harrogate, will be in the 2% or 3% that is not going to get it.

Q149 Chair: As the Minister is in the room, I find that 3G has less coverage on my mobile phone than 4G, and I do not think that is widely known.

John Moore: Frankly, North Yorkshire does not expect 4G to be the miracle in the rural areas.

Q150 Chair: But you would agree that 3G has been worse.

John Moore: To us, it has not made a major impact in the rural areas, no.

Q151 Ms Ritchie: This is about the performance of BDUK. Does BDUK have the necessary expertise to effectively administer the rural broadband programme?

John Moore: Are you talking about RCBF now or about everything since it started?

Ms Ritchie: The whole thing.

John Moore: I think, to be fair, they probably had some difficulties at the start. To run a programme like this you do need to streamline it and get advice about framework contracts and state aid and the other legal issues, and they have clearly had some issues around that. I think from our point of view, being one of the pilots, we have always found them very supportive. We have helped them get various processes in place. So it would be difficult for me to be critical of them, because they have been very supportive of us and have helped us to be the first authority that has got under way using their funding. We are now drawing it down, as we speak.

Malcolm Corbett: I think BDUK are very good people. This has been a learning process for everybody in the whole thing and there are a lot of lessons that are coming out of it. They certainly have competence in terms of being able to develop the whole policy process as it has been developed so far, but there have been some difficulties, i.e. lack of competition in the process. We need to find ways of addressing that and trying to bring more competition into the process, and we need to ensure that we think about how we can move towards a more future-proofed infrastructure in future. So I would say they are doing a reasonably good job right now, but there have been some serious problems along the way.

Q152 Mrs Glindon: Is Defra sufficiently well equipped to administer the Rural Community Broadband Fund?

Malcolm Corbett: They have some very good civil servants in there who know what they are doing.

Chair: And other resources?

Malcolm Corbett: It is a very small fund, but from what I understand, I think they could, to be honest with you, yes.

John Moore: I think, from our point of view, I have difficulty trying to reconcile, as Malcolm has described it, a fund that can do exemplar projects with our more strategic approach, but that is because of where we are in the process. I think it would be helpful if there was some crossover of ideas between the Defra people and the BDUK people and sometimes I think it feels like they do not talk to each other.

Malcolm Corbett: I think they are talking to each other now.

John Moore: If they are talking now, that is fine, but perhaps they have not been in the past then, would be my observation.

Chair: Thank you very much for your forbearance during the delay when we ran over previously, and for taking us through this. If there is anything you would like to add in writing, we would be very grateful, but we are most grateful to you for making the journey and contributing to our inquiry. Thank you very much indeed.

Examination of Witnesses

Witnesses: Mr Ed Vaizey MP, Minister for Culture, Communications and Creative Industries, and Dr Rob Sullivan, Chief Executive, Broadband Delivery UK (BDUK), Department for Culture Media and Sport, gave evidence.

Q153 Chair: Minister, welcome. We apologise for running over, for reasons to do with the vote, but we are very grateful that you are here as Minister for Communications in the DCMS.

Mr Vaizey: And Rob Sullivan is outside, blissfully unaware that the ordeal has started.

Q154 Chair: Would someone like to invite Dr Sullivan to come in? I hope you are confident enough that we can start without him. The Government have pledged that by 2015 90% of homes and businesses will have access to at least 24M bps superfast broadband and that everyone will have access to at least 2M bps. Is that fast enough for rural areas, and are you disappointed that speeds and access generally in rural areas are less than in urban areas?

Mr Vaizey: I think there are two points in your question, Chairman. First of all, I think that the 2015 target is a very stretching and challenging target. We are running as fast as we can to meet that target. We may well get round to talking about specific procurement projects, but we are well under way in the sense that, broadly speaking, about half of the projects have been procured or are in procurement and
the rest are forming an orderly queue. So it is a challenging target, and I certainly do not think we could bring it forward earlier than 2015. In terms of rural coverage for broadband, clearly most of the broadband roll-out hitherto has been done by the private sector, essentially by BT and by Virgin Media. They have obviously made that investment in the areas where they are going to get the most customers and therefore the quickest return on their investment to justify that investment. I think the way that broadband is going and the demand for broadband is interesting, because there is very vocal demand for it, which I think has helped private investment. You will have seen, for example, that BT has very much accelerated its programme. It was going to cover two thirds of the country by the end of 2015 and will now, it says, achieve that target by the middle of 2014. So that is very welcome for the UK as a whole and I think it bodes well potentially for further private investment.

Q155 Chair: We will do question and answer, rather than statements, if that is all right. We have been joined by Rob Sullivan, who is Chief Executive of BDUK. You are most welcome. So, Minister, is the delay due to the state aid agreement being reached in Brussels?

Mr Vaizey: State aid was certainly a factor, Chairman, in the sense that we applied in January and expected to get it through in March. The Commission came back with further questions and that kept resetting the clock. We are delighted we now have state aid approval, but I would certainly say it was a factor.

Q156 Chair: Minister, you are the expert. What speed do I need to watch the BBC iPlayer repeat of Parliament Today or my favourite programme, The Paradise?

Mr Vaizey: I think you need about 2Mbps, Chairman.

Q157 Chair: So when a constituent says to me that they cannot watch their BBC iPlayer without an interruption in my constituency, what would you answer to them?

Mr Vaizey: I would say that it may be the time of the day they are watching it. Sometimes the demand in an area for people using broadband can slow down the speed. With Ofcom, we have certainly borne down very heavily on telcos that advertise quite high speeds and then do not deliver them—they might be advertising 8Mbps, but only delivering 4Mbps. Sometimes it is about the length that they are from the cabinet. There could be a range of factors that could be slowing down the broadband speed.

Q158 Chair: So do you recognise that there are slower speeds in rural areas than urban areas?

Mr Vaizey: Yes. That is why we have a £500 million programme to get broadband out to rural areas.

Q159 Chair: So when you originally announced the programme, it was stated that everyone would have access to at least 2Mbps under your universal service commitment. In the House of Lords report this has been changed to “virtually” every household. How many households will not be covered by your universal access commitment?

Mr Vaizey: I do not think we have a figure for that. Chair: Could you write to us if you have a figure that we can use?

Mr Vaizey: Yes, we certainly could do that.

Q160 Chair: But you recognise that there has been a downgrade from universal service for every household to virtually every household?

Mr Vaizey: I would say it is more a clarification. Not every household has electricity and not every household has some of the services that people take for granted, but certainly to all intents and purposes we expect every household to have access to broadband.

Q161 Chair: If I could just focus on the 10%, how many communities based in the hardest-to-reach 10% currently get superfast broadband?

Mr Vaizey: The plan is to get 90% of the country covered with superfast and the last 10% to get 2Mbps. Q162 Chair: And by 2015?

Mr Vaizey: They should all have 2Mbps; that is the plan.

Q163 Chair: That is superfast, is it?

Mr Vaizey: The plan is to get 90% of the country covered with superfast and the last 10% to get 2Mbps.

Q164 Chair: But I represent the 10% and we want to know when we are going to get it.

Mr Vaizey: The plan is to do that by 2015.

Q165 Chair: But you said 90% would have it, not the 10%.

Mr Vaizey: No, the plan is to get 90% of the country access to superfast broadband and the last 10% to get 2Mbps.

Q166 Chair: So what are you, the Government, doing to encourage local next generation broadband projects, such as Broadband 4 Rural North?

Mr Vaizey: You just had North Yorkshire Net talking about how they are the first out of the block.

Q167 Chair: But they just told us that they have to fit in with the technology that BT are providing, so there does not seem to be much imagination about the technology that is out there.

Mr Vaizey: I think BT have put in quite a detailed submission to the Select Committee explaining that they are looking at a whole range of different technologies. Clearly I would not characterise it as “fitting in” with BT’s technology. I think BT is one of the most impressive global telecoms companies in the world. I think the technology it is using is as advanced as any other telecoms company in the world, and it will deliver superfast broadband service to many people. But BT is continually innovating and researching, particularly on how you can reach those who are hardest to reach with different ranges of
My instinct is that they would pay the company worse service than someone a little bit closer to themselves paying more for the same service or a cross-subsidy and all the rest of it. Would they find the end cost to them of the access to their solution proves to be something other than fibre, deliver it, but for those for whom the technology selling products on that. In Cornwall we have an interested in this question of technology. You have the operator.

I do not think it would be for the Government to mandate the technology solution provided by an operator.

Q 168 Chair: So which technologies is the Government supporting other than fibre?
Mr Vaizey: We have always taken a technology-neutral position, so we start from the position that the local authority will procure the contract to deliver superfast broadband and the company it procures with will deliver that using the technology that is appropriate. We have not stipulated that it should be fibre or satellite or whatever. Clearly fibre will be, by and large, the main technology, but there will be other technologies used to reach the very hardest to reach to provide a more cost-effective solution.

Q 169 Chair: Are you going to sit on the sidelines? There was a conference in North Yorkshire looking specifically at this point and there was huge disappointment expressed; I think everyone was delighted that BT had the bid, but we are restrained by the technology that may not reach the 10% by 2015. Are you going to be flexible and help out here?
Mr Vaizey: I think we expect whoever procures with a particular council to be flexible in providing the technology that delivers the appropriate solution, but I do not think it would be for the Government to mandate the technology solution provided by an operator.

Q 170 Dan Rogerson: Good afternoon, Minister. I am interested in this question of technology. You have the kit being provided by somebody and then others selling products on that. In Cornwall we have a different process, in that we have the European bid to deliver it, but for those for whom the technology solution proves to be something other than fibre, would the end cost to them of the access to their 2M bps or whatever be the same? Sometimes we get these issues about transparency of funding and no cross-subsidy and all the rest of it. Would they find themselves paying more for the same service or a worse service than someone a little bit closer to the company?
Mr Vaizey: My instinct is that they would pay the same as a retail customer. If you are talking about Cornwall in particular, Cornwall has put together a bid with BT and BT is providing that to a stipulation by Cornwall. In fact, Cornwall is probably going to be one of the best connected places not just in the UK, but probably in the world. But I would imagine, as a BT retail customer, they would still pay what BT retail customers pay, regardless of the technology solution that had been put in place, bearing in mind it is being provided effectively with public subsidy.

Dan Rogerson: I hope that is the case, but I am just concerned, particularly where, for example, it might involve satellite. Past experience has shown that those who could not wait and therefore in the short term have opted to get a satellite service by another provider have found themselves paying more. So I just hope that is the case. That is very helpful. Thank you, Minister.

Q 171 Ms Ritchie: Minister, this is to do with the European Commission. The European Commission has said that it wants all EU citizens to have access to at least 30M bps by 2020. What additional steps is the Government going to take in order to meet this target?
Mr Vaizey: The definition we ended up giving for superfast broadband was 24M bps, but that is because Ofcom, when it does assessments of broadband availability and superfast broadband availability, has tended to use 24M bps as its definition. But to be blunt, I think that the difference between 24M bps and 30M bps is irrelevant. I think if you are getting superfast broadband around 24M bps then getting to 30M bps and thereafter to 50M bps and potentially up to 100M bps is not a stretch. You are still going to use the same infrastructure. It is the technology in the cabinet that tends to change the speed, so that can be upgraded very easily, and we are already seeing BT doing that in places where it is already deployed. So I do not think that one should concern oneself too much about the difference between 24M bps and 30M bps.

Q 172 Ms Ritchie: Is there any update on the EU's proposals for the €8 billion from the Connecting Europe Facility and how might the UK benefit from such a fund?
Mr Vaizey: I hope that the UK will benefit from the Connecting Europe Facility. It obviously covers a whole range of different projects, such as transport and so on, and of course it is wrapped up in a much wider debate about the future of the EU budget, which is taking place at a very high level. The outcomes and those budget negotiations will affect the amount of money available in the Connecting Europe Facility, but I certainly think there is, in principle, no reason why the UK should not benefit from it. We support the project in principle, but obviously we are disputing quantum in terms of the European Commission budget.

Ms Ritchie: And subject to the budget outcome.
Mr Vaizey: Yes.

Q 173 Dan Rogerson: Why do you think it took so long to get approval? We heard a little bit about some of the barriers surrounding the whole issue from Mr Moore, but why do you think this European element took so much longer to arrive at?
Mr Vaizey: I think it was frustrating. I think it took far longer than we expected it to take. My understanding of the process is that we went in with our application and there is, in theory, a two-month turnaround timetable, but if the Commission wants then to ask further questions about our application, effectively the clock is reset. The Commission did come back and ask further questions, but we did finally get it over the line.
I think there is also a point to be made about first mover disadvantage, if you like. This is a pioneering project, the £500 million Rural Community Broadband Fund, and I think it is very important to put it in context in terms of the rest of Europe. We are well ahead of the rest of Europe in putting together a project like this.
Q174 Chair: Is that because our speeds are so slow compared with Lithuania, Denmark, and Sweden?

Mr Vaizey: No, because we are much more focused on broadband than perhaps other Governments are. We were the first ones to come to the Commission with this proposal and therefore, in effect, they were dealing with us from first principles. If another country comes along with a similar proposal, they may well get a quicker turnaround time. I think that may well have been a factor, but I am not going to hide away from the fact that it was a frustrating process and far lengthier than we expected.

Q175 Dan Rogerson: Was the fact that there was one company involved part of their concerns? Did that slow it down?

Mr Vaizey: No. There are, in theory, two companies involved in the process—Fujitsu and BT—and we had up to, I think, 11 companies originally expressing interest, but I do not think that was a factor.

Q176 Neil Parish: On a similar theme in some ways, but not on the Commission, do you think that local authorities should be able to share details of procurement costs if it would mean that they were able to achieve greater value for money, especially when in a lot of areas you really only have one major player in the game, so to speak?

Mr Vaizey: If I understand your question correctly, Mr Parish, we are certainly not preventing local authorities from working together as they are in Devon and Somerset, and in other parts of the country in certain areas, particularly in devolved Administrations—obviously you have Wales as one, Scotland as one, and Northern Ireland as one. So we certainly would not discourage them from working together.

Q177 Neil Parish: It is just about being able to check that you are getting value for money out of the contract, especially when you do not necessarily have another bid necessarily to check it against.

Mr Vaizey: That is a very good point, Mr Parish. We take value for money very seriously and we have robust discussions with the companies with whom local authorities are procuring. Certainly that is the advantage of having a central procurement framework and having Broadband Delivery UK sitting, as it were, at the centre of this: that they can compare bids that are put in in a more competitive situation, or where there is only one bidder, they can compare and contrast bids put in in different parts of the country and then challenge the company involved on the figures to ensure that there is value for money. But I would want to stress to this Committee that we do take the value for money point very seriously indeed. We are not writing effectively blank cheques to providers. We are making sure that their business case is robust and properly tested.

Q178 Neil Parish: Right: we feel reassured on that one. What steps are BDUK taking to ensure that any company applying for a broadband contract gives a true reflection of the costs involved, again because of the few players involved?

Mr Vaizey: The companies concerned would put forward a business case. To a certain extent, they would put that forward on the basis of a series of assumptions such as the take-up of broadband, issues like churn, and potentially the different topography of each area that it was going into. BDUK would examine those figures and challenge them. I am now closely involved in the delivery, so we have weekly meetings to update on different local authority procurements, and if there are obstacles or causes of concern where we think that a figure looks out of kilter, we will robustly challenge it and examine it.

Q179 Dan Rogerson: We had a little discussion earlier on with the representative bodies—the NFU, TFA and CLA—about the digital by default policy: that across Government, relationships between citizens and the Government should be carried on through that means. Delivering that is obviously an area of responsibility for you. There are obstacles at the moment, as we have heard, to some constituents of MPs in rural areas engaging in that and being able to have access to it. Do you think it is fair that the Government is adopting this policy at this point?

Mr Vaizey: To a certain extent, digital by default is slightly beyond my brief. That is being driven by the Cabinet Office, but with key Departments, such as the Department for Work and Pensions, as I understand it, very much part of that drive. It is important that there is proper co-ordination so that the infrastructure is delivered and people can use services. But I do think digital by default is an important way of stimulating demand. It is important that we get our ducks in a row by continuing to move forward on digital by default, but mindful of people who cannot—as opposed to will not—get on to broadband. We must also work with the Cabinet Office on demand stimulation, so that people are aware of the benefits of broadband and are shown how to get access to it, and we in the Department for Culture, Media and Sport must continue to press ahead with the delivery of infrastructure. But I do agree with you, if I understand the implication of your question, that it is important to get those ducks in a row and co-ordinate it properly.

Dan Rogerson: I accept that it is a Cabinet Office-led process, but presumably you are involved in these discussions, because it is your area of expertise, or your Department's area of expertise. There are two issues. One is whether people can get access to it and the other thing is this issue, as you said, of whether they choose to. So particularly for people who have perhaps not been used to using this and have engaged with the Government in a different way for a very long period of time, this is a problem. I just wanted to make that point to you really and hope that in your discussions you will take that back.

Q180 Neil Parish: Can you explain why only £10 million out of £530 million of BDUK money—1.8% of the total—is going to help the 10% hardest-hit communities to get superfaster broadband? Particularly because installation costs are going to be high and in many of our constituencies, of course, those are the people we are particularly worried about.
Mr Vaizey: I think this is talking about the Rural Community Broadband Fund. It is a separate fund, so in theory the big pot of £500 million-odd is meant to deliver the clear target of 90% superfast broadband and 2M bps to the last 10%.

Q181 Chair: Can we stop talking about 2M bps and can we talk about superfast broadband? We are asking about superfast broadband and why only £10 million out of the £530 million is being allocated to the hard to reach?

Mr Vaizey: I was setting the context, Chairman, so I would like to answer Mr Parish’s question.

Q182 Chair: Yes, but he did ask about superfast broadband, not 2M bps broadband.

Mr Vaizey: I was putting his question in context. That is what the pot is for, but there is a separate fund to which BDUK has contributed £10 million and the Department for Environment, Food and Rural Affairs has contributed £10 million to allow individual communities, which would have been in that 10%, to apply to put in superfast broadband. That is led by those communities with their own bespoke solutions and, as you know from your briefing, something like 50 communities have passed through the test, as it were, and are potentially going to be in procurement over the next year or so.

Q183 Neil Parish: I can understand the logic that the Government is to provide as many people with superfast broadband as they can with the money that is out there, but a lot of us are quite concerned that people are going to be left out and that perhaps people’s expectations have been raised. We are always talking about rural broadband, and if most rural people cannot get superfast broadband that is what worries us, really. Does that worry you also?

Mr Vaizey: We have started with what we think we can realistically achieve with the money that we have and then we have added to it. Defra has come on board, because it recognises the importance of broadband in rural areas, and said, “Can we use a £20 million pot smartly to get superfast broadband to certain part of that 10%?” It is not an ideal, everyone-wins solution. As I say, we started from the other end of the equation. We started by considering what money we had and therefore what we could achieve with that money, and then whether we could add an additional bonus, if you like, on top of that programme.

Q184 Neil Parish: Talking of pots, there is quite a large pot coming from the BBC—£300 million between 2015 and 2017. What do you intend to do with that?

Mr Vaizey: That is not a decision we have taken at the moment. We are using the money that we have at the moment to deliver, as I say, the targets that I have talked about. But as 2015 draws closer and we get further along with this programme, no doubt ideas will emerge to use that money in additional ways.

Q185 Neil Parish: You have fallen quite nicely into my trap. So if we are not getting superfast broadband out to those 10% of people by 2015—I hope we are, but there will be some people, I think we have to accept, who will not get there—will you be pushing for some of that money to be used for these harder-to-access people?

Mr Vaizey: I am glad I have fallen into your trap, because what I would say, Mr Parish, is that I would want to have a dialogue with people who have a keen interest and knowledge in this area, such as yourself, to explore ways in which a future Government could use that £300 million after the 2015 election.

Q186 Neil Parish: Why is fibre the only technology covered by the fund when other technologies might be cheaper and less complicated to deliver, especially in rural areas?

Mr Vaizey: Rob may want to come in on this, but as far as I am aware, again—sorry to sound like a stuck record—we are not mandating fibre. Fibre is obviously the easiest solution for the vast majority of homes that will be covered by this programme, but BT looks at things like white spaces, 4G wi-fi, satellite and other solutions. It says in its note, for example, that it is looking at satellite price for residential needs. So we would rely on BT or Fujitsu to come up with technical solutions to meet the target that the local authority had set in its procurement, but obviously the vast majority of that will be fibre, because you can get to most homes most quickly and most easily with fibre.

Q187 Neil Parish: Under the current system there is a risk that only affluent rural communities with the capacity to prepare bids are accessing the fund, leaving poorer communities further marginalised. Until people know how far broadband is going to be rolled out, these private operators, for want of a better expression, are not going to come into the market.

Mr Vaizey: I think it is an unanswerable question, in a sense, Mr Parish, because clearly we have the fund. I do not think we would be in a position to go out and identify individual communities that could use the money. We would rely on people to come forward to us whether that involves more affluent communities. I do not think we have done a particular study on the wealth of different communities that have come forward. I am searching for the list, but I think, broadly speaking, the bids we have received cover quite a wide range of the country. I would not presume to talk about the relative wealth of different parts of the country, but we go from north to south.

Q188 Ms Ritchie: Minister, on the Growth and Infrastructure Bill, what evidence is there that the additional protection afforded to designated landscapes has acted as a barrier to or delayed the roll-out of broadband?

Mr Vaizey: It is certainly the case that communications providers came to us and said that there were a great deal of additional costs involved in rolling out broadband. They made a very clear case to us that they would be able to roll out broadband more quickly and more cheaply, potentially cover more
parts of the country, and potentially deliver that broadband more quickly if these changes were made. We have made legislative changes but we are obviously going to consult, clearly, on the detail. It is important to stress that this is not going to be a broadband free-for-all. There will still be codes of conduct, codes of practice. There will still be a requirement to consult with communities and with the local planning authority. But I think it is important that we recognise that we cannot have our cake and eat it. We cannot, on the one hand, have rural communities saying, “We desperately need broadband in order to grow and expand our businesses and participate in the digital economy”, and at the same time put up a lot of hurdles to rolling out that infrastructure.

Q189 Ms Ritchie: In the November 2011 consultation on overhead telecommunication deployment, the Government said that it would not relax protections for designated landscapes. What has happened in the last 12 months to prompt the Government’s change of mind?

Mr Vaizey: I will correct myself if I am wrong in answering this question, with a letter. As far as I am aware, we have not changed our approach on poles, but we have recognised the concerns that communication providers had in terms of the bureaucratic obstacles they faced in putting up cabinets, using private land or seeking planning permission.

Q190 Mrs Glindon: At the party conference in 2011, the Chancellor announced a £150 million investment that would enable 6 million people in rural areas to receive improved access to mobile technology. Subsequently, this has been reduced to only 600,000 premises due to problems with state aid rules. Minister, why did the Government not foresee the problems with state aid rules before the announcement of the scheme was made?

Mr Vaizey: What we wanted to put in place was a Mobile Infrastructure Project that would deliver mobile to notspots, and it is important, I think, to distinguish between a hotspot and a partial notspot. A notspot is where you cannot get any mobile coverage from any operator, and a partial notspot is where you can get coverage from one operator but not from another. Clearly we wanted to undertake a detailed assessment. Ten key trunk roads will also be covered as well. So, to a certain extent, the amount of people who will benefit is a moving target, because some of them will be on the road, but we think it is a very important initiative to get universal mobile coverage, which is something that people have wanted for a long time.

Q191 Mrs Glindon: Just specifically on the issue of state aid, obviously there were complications with that.

Mr Vaizey: I am not aware of it. Rob, do you want to address the question about state aid?

Dr Sullivan: Yes. I think it was not an issue with state aid. We are seeking a separate state aid approval for the Mobile Infrastructure Project and that is progressing to the timetable, so the two aspects are not related. As the Minister said, what we have completed as part of the preparation is highly detailed modelling, down to a much more detailed level, to identify exactly where the total notspots are, and the number is just less than was first expected. Just to clarify, I think it is 60,000 premises that we are talking about, rather than 600,000, but that is not connected to state aid.

Q192 Mrs Glindon: Does the change in ambition in the Mobile Infrastructure Project mean that rural areas are at risk of being permanently left behind, not just in accessing reliable voice data but also in wi-fi?

Mr Vaizey: I do not think there is a change in ambitions. As I say, I think we can only really put the Mobile Infrastructure Project in areas where there is no mobile coverage at all, because obviously if one mobile operator has deployed masts at their own expense, they do not want other mobile operators to be deploying them at the Government’s expense. But I do think that we set—and indeed we listened to Parliament on this very closely—challenging coverage obligations for 4G, up to 98%, rising from 95%, and the difference between 95% and 98% is quite significant. So I do not think there will be a danger. But again, I think we have learned from the very co-operative nature in which we put together the rural broadband project in the way that local authorities have come to the table and the recognition that we should make planning rules more flexible in order to reduce costs. I think we can work with local authorities to address some of the poor coverage of mobile in rural areas and I think what I would like to look at over the next few months is working with local communities to see, where there is poor coverage, whether local communities could work with mobile operators to address that poor coverage.

Q193 Chair: But you will accept that 60,000 premises down from six million is a sizable drop.

Mr Vaizey: It is a sizeable drop.

Q194 Chair: And when you talk about asking local communities to work with the providers, that is presumably at the cost of the local communities.

Mr Vaizey: It is the germ of an idea, but some people have come forward and said, “We would have a mast in our community and we would not charge rent” or “We would provide the land for free if it meant that we could get better mobile coverage”. So that is an offer that has come from communities. It is not something that we have demanded from them or asked from them, but if communities are going to come forward and make that kind of offer I think it would be incumbent upon me, as the Minister, to try to facilitate that conversation to see if it is one that could be progressed.

Q195 Chair: Are you aware that Farmers Weekly raised concerns that rural areas are missing out on superfast funding in May this year? They are saying that despite the large number of methods that rural people can use for broadband delivery, the grant is
only for fibre optic broadband under the Rural Community Broadband Fund, and arguably that is the most expensive and complicated method for rural areas. So by definition, you seem to have chosen the most expensive and most complicated method for the most limited funds.

Mr Vaizey: I do not recognise that accusation. As I have said already in my evidence, we are not stipulating the technology, but nor would I accept that fibre optic is the most expensive and most difficult.

Q196 Chair: I am sorry, Minister, to correct you, but my understanding is that under the Rural Community Broadband Fund that is the only technology that is available.

Dr Sullivan: The state aid approval that we have just secured from the Commission also covers the Rural Community Broadband Fund, so this means now that all of those 50 projects will have cover. And because, as the Minister said, the main rural programme already provides the commitment to standard broadband to near-universal level, that means that the community projects, when they are seeking to be state aid-compliant, at a minimum they essentially have to provide superfast. But again, as the Minister said, they have to provide beyond 24M bps. In doing that they have access to any technology that provides that outcome.

Q197 Chair: Under the Rural Community Broadband Fund. So that is a misunderstanding on behalf of Farmers Weekly.

Dr Sullivan: I think it is, because as long as the technology can provide more than 24M bps then it should be in scope. We are certainly not, and it would not be admissible under state aid to be, technology-specific in that way, nor would we seek to force a particular solution. You have already provided a number of examples of very innovative community schemes that are using wireless and other technologies, so certainly we do not want to take those out of scope.

Q198 Chair: Minister, were you aware that 3G is not widely accessible in areas like North Yorkshire and other rural areas of the country?

Mr Vaizey: Yes, we are aware that coverage is not as good as it could be and it is not as good as it would be in urban areas.

Q199 Chair: Then what impact do you think 4G technology will have on rural areas?

Mr Vaizey: I do not think 4G is going to be a magic bullet and I think again we are lucky in this country in the sense that the roll-out of mobile has been done by the private sector at no cost to the taxpayer, and the private sector will be rolling out 4G. Again, by definition, just as I said at the beginning of my evidence, commercial operators will go first to where they will get the most customers in order to get their return on investment, but 4G will roll out. We have advanced, as you know, the roll-out of 4G by six months, and indeed Everything Everywhere is already rolling out 4G as well. But it will take a number of years before it starts to really penetrate rural areas. But as I say, we did listen to Parliament and the coverage obligation has been increased on one of the licence holders that gets 4G spectrum.

Q200 Chair: Just a final question: when do you think the last 10% will have access to superfast broadband?

Mr Vaizey: To a certain extent, that goes to what Mr Parish was saying, without wishing to set any hares running. As I say, we have set the target of 90% superfast by 2015. At that point, no doubt, there will be a discussion about the last 10%—already having 2M bps—and whether one could go further, and there will be those who will point out that there is potentially money on the table that could achieve that. But we are looking to 2015; we have not looked beyond 2015.

Q201 Chair: So we are not expecting superfast broadband in rural areas before 2015.

Mr Vaizey: We are expecting it for 90%.

Chair: You have been very generous with your time. Thank you very much indeed for being with us and apologies for the late start. We are very grateful to both of you. Thank you very much indeed.
Wednesday 12 December 2012

Members present:
Miss Anne McIntosh (Chair)
Richard Drax
Barry Gardiner
Mrs Mary Glindon
Sheryll Murray
Neil Parish
Ms Margaret Ritchie
Dan Rogerson

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**Examination of Witness**

**Witness:** Holly Sims, Corporate Affairs Manager, Calor Gas Limited, gave evidence.

Q202 Chair: Good afternoon and welcome, Holly. Thank you very much indeed for agreeing to participate in our inquiry on Rural Communities. Could I just ask you to say who you are and who you are with for the record?

Holly Sims: Yes, of course. My name is Holly Sims and I am the Corporate Affairs Manager at Calor Gas Limited.

Q203 Chair: Excellent. I know that a lot of people in my constituency are customers, so I am particularly delighted that you are here this afternoon. We have seen the figures for fuel poverty from 2010. Do you have any idea what the current figures for fuel poverty might be?

Holly Sims: No. We do not know. We are waiting on the next stats to come out from DECC. We do expect them to increase. Obviously, we are watching Professor Hill’s Fuel Poverty Review quite closely and we know that that is going to look at redefining the numbers, but I do not think that that is particularly the issue here. I think the numbers are what they are no matter which way you couch it. It is a problem and we know it is a particular problem in rural areas, so we think that that trend is just going to carry on increasing.

Q204 Chair: Excellent. What assessment have you made at Calor Gas of the Green Deal and the Energy Company Obligation? How effective do you think they are in tackling fuel poverty?

Holly Sims: I think, along with everyone else involved with Green Deal, we are still waiting to see what the final legislation looks like. Obviously, there have been delays, which I think perhaps is not helpful for anyone looking to make a commercial decision around whether to invest as a Green Deal supplier, assessor, provider and so on.

In terms of how it will affect rural communities, I think Calor, along with other parties involved in the rural landscape, were very concerned around the ECO. We welcomed the focus on solid wall. However, there was a feeling, I think, within rural areas that there is an awful lot of solid wall in urban areas and we have seen with previous assistance schemes—CERT and CESP—that the vast majority of the funding has gone to urban housing and rural housing has been left behind in those schemes. We know that it has not been effectively delivered.

We were very pleased to see the rural safeguard, the ring-fencing of the rural communities’ pot of money. That is a very welcome later amendment to the ECO. I think we are interested to see again how that will work: will it reach the hard core, what we would class as our sorts of customers, those in very rural communities? Or again will the suppliers go for, say, the lower hanging fruit, which are still classed as rural under Government definitions, but are, say, market towns or urban fringes rather than the real rural customers that we serve? So we have concerns around it. We welcome the Obligation, we welcome the focus on solid wall, but I think we are looking to see how that goes.

Q205 Chair: Without having had sight of the details, are you able to hazard a guess at how costly it might be? How would you assess what the costs will be and whether there are going to be obstacles, such as the cost and such as any bureaucracy involved for people to apply to the Green Deal?

Holly Sims: I think it is very difficult to say. Obviously, we know the cost of solid wall insulation. Depending on which type of solid wall insulation you go for, it will run into, in the majority of cases, five figures. We think that ECO will be very useful in, in a way, propping up the Green Deal. So for those people who cannot get the Green Deal to fit within the Golden Rule because of the cost, ECO will be very useful in helping them to fit within the Golden Rule and therefore be able to access both Green Deal and ECO funding.

Some of the barriers to delivery I think are going to be just the marketing of Green Deal. Again, we welcomed the fact that the Government is putting aside money now to market Green Deal, which I know is a recent development. Previously, there was no money put aside and I understand that Green Deal is one of the few to escape the freeze on Government advertising and marketing. We welcome that, but I think there is still a huge amount of uncertainty around Green Deal. I do not think consumers know very much about it and, particularly in rural areas, we know that getting any information out into rural areas is difficult due to things like the lack of broadband.

Communication networks in rural areas just do not exist in the same way as they do in urban areas. The marketing of the scheme and making people aware of not only what is out there but how they can access it will be critical. That is where agencies have a role to play, people like rural community councils: trusted local advisers that are already working in rural communities will be key in spreading the message.
Q206 **Chair**: I know that we are often compared poorly with other countries. When I visit family in Denmark—and I think sometimes in Belgium as well—any new house is fitted with triple glazing. Is there more that you think we should be doing to encourage better insulation through building regulations, which we are coming on to? Is there more that you would like to see?

**Holly Sims**: Yes. Where building regulations are concerned, there is an issue with the existing standing stock, which I think is the primary issue that you have in rural areas. New build is very low in rural areas. We know new build as a whole across Great Britain has slowed down. I think annual housing starts were 6% lower in the 12 months to March 2012 than they were in the previous 12 months and I know that rate is declining. So we know that economic factors are having an impact on the rate of new build. That is particularly true in rural areas and so we have to be very careful to weigh up and have a careful balance between energy efficiency demands that we place on new build homes and those building firms that are constructing them and balancing that with affordability. At Calor—and we have submitted papers on this through the building regulations consultation recently—we are very concerned that we are perhaps going too far too fast in terms of the building regulations and particularly the revisions to Part L of the building regulations. We think that it is perhaps going to put too much cost on to rural new build and that that will slow down and have an impact on an already stunted market. I know you are hearing particularly about housing from the next set of witnesses.

Q207 **Ms Ritchie**: Are you concerned that Energy Performance Certificates may disadvantage off-grid homeowners and, if so, what measures might be taken to prevent this?

**Holly Sims**: Absolutely, we are very concerned about the standing structure of EPCs. Again it is something that we have written to Government about and talked about in a number of consultation responses. We believe that the current structure of an EPC is written in the wrong way. At the moment, the rating for the building is placed on the cost of the fuel. Obviously, off-grid fuels are more expensive than natural gas and so therefore any home that receives an EPC rating in a rural area will automatically score between one and two grades lower than that exact same fabric of the buildings. We know with solid wall, solid floor properties that have not been insulated, it pushes up energy costs. Of course, as I mentioned earlier, fuel costs are higher for off-grid properties and I will not sit here and pretend that they are not. They are, but that is just one of the drivers and it is a whole range of factors that cause rural fuel poverty. We know that they are very different from the drivers of urban fuel poverty, but we wanted to understand exactly what they were. In urban areas you often find fuel poverty aligning with, to a large degree, areas of social deprivation, whereas in rural areas we have discovered that that, in many cases, simply is not true. It applies to a certain extent, but there are many, many other factors. Top of the list of those is the energy efficiency of the buildings. We know with solid wall, solid floor properties that have not been insulated, it pushes up energy costs. Of course, as I mentioned earlier, fuel costs are higher for off-grid properties and I will not sit here and pretend that they are not. They are, but that is just one of the drivers and it is a whole range of factors that cause rural fuel poverty. We know that benefit uptake in rural areas is much lower than in urban areas. Again, I believe it is down to the lack of communication that I was talking about earlier, the lack of awareness. We know that electricity switching is far lower in rural areas than in urban areas. Again, I believe, down to a lack of awareness and perhaps a lack of broadband and access to sites such as uSwitch. There are lots of complex drivers to rural fuel poverty and I have two reports—which I can share with the Committee afterwards, they are also available on Calor’s website—looking in much more detail at the drivers and the causes of rural fuel poverty. In terms of what can be done about it, I think sometimes rural is perhaps written off as being too
difficult. It comes back to what I was saying earlier: if there are assistance schemes they are often focused on urban areas. I am not saying that is wrong; I am just saying that perhaps rural gets sidelined as a result of that. We found through our fuel poverty initiative is that when you work on the ground at a local level you get trusted intermediaries on board, you engage with rural community groups. Whether that is a local parish council, a farmers’ market, a mother and toddler group, you really have to get into rural communities at that level and then you can start getting some cohesion and some action. What we found was that umbrella government schemes—CERT and CESP—simply do not reach into those rural areas and so things that are supposedly there to tackle fuel poverty in general simply do not get to the rural areas.

Q209 Sheryll Murray: Can I just ask, have you heard of the “Cornwall Together” scheme, which is driven from the local government upwards? It brings a lot of consumers throughout Cornwall together to try to negotiate realistic fuel prices—i.e., it is electricity in this instance—through bulk purchase. I know it is the leading scheme and the Government have taken on this example now and are looking to roll it out in other places. Do you know about it and would you like to comment on whether you think schemes like that rolled out on a national basis would help?

Holly Sims: I am not familiar with the detail of that scheme; I am aware of other bulk buying schemes. When the OFT recently did its call for evidence looking at the fairness of service availability in rural areas I know bulk buying was something that they recommended. What we have been working on is the idea of an umbrella collective energy switching and we saw recently again with natural gas and electricity the Big Switch scheme that was very successful.

In terms of heating oil, bulk buying schemes exist. There is a very popular kind of franchise scheme that Oxfordshire Rural Community Council piloted and has pioneered throughout rural communities. I know that a number of rural community councils have signed up to that and I think that can work very well. In some of the work that we did through the FREE initiative, we surveyed a number of households and out of 200 households on oil fewer than 10% were involved in a bulk buying scheme. Again, there is some low hanging fruit perhaps there to be won.

When it comes to bulk buying with LPG the situation is quite different. The problem that we have is the density of customers. Heating oil is approximately 50% of the rural market and you tend to get whole villages that are on heating oil. When you look at LPG, it is less than 10% of the off-grid market and Calor, as a provider, has around 5% of that. We are looking at a very small number of customers; we have about 80,000 customers in total, so when you try and do bulk buying when you have very disparate customers, it is very difficult to make the savings there.

Q210 Barry Gardiner: You say you do not think the Green Deal is going to work. You are not enamoured of the Energy Performance Certificate because that is going to mitigate against people in terms of the Renewable Heat Incentive and feed-in tariffs. You say that it is going to push house building costs up because of the EPC. It is rather convenient for you, is it not, as a fossil fuel supplier that none of these things are going to work and it is going to increase your profits? Is that right?

Holly Sims: No, I would not say that at all.

Q211 Barry Gardiner: Instead of just saying, “Okay, this is all rubbish and my company will be quite happy if it does not work”, let us focus on how we can ensure that we get something positive that is going to address rural poverty, because that is what we are really interested in here, okay? It is rural fuel poverty. What positive have you at Calor got to say to this Committee addressing rural fuel poverty?

Holly Sims: I would like to perhaps make clear—I am sorry if I was not clear earlier—that I do not think the Green Deal is going to fail at all. I said I think we need to wait and see more of the detail so that we can understand it. As a business, we are very interested in the Green Deal. We are looking at becoming involved within Green Deal perhaps as an installer, perhaps as an assessor. Again, we need to wait and see more detail on that. So it is not that I do not think Green Deal is going to work. I think if it does work it will be an excellent mechanism to bring funding into rural communities that previously has not been available.

Q212 Barry Gardiner: So you disagree with Action with Communities in Rural England, who said that the Green Deal and ECO will not be effective in tackling fuel poverty. “It is well documented that households in fuel poverty are debt averse and will be reluctant to take out additional Green Deal finance.”

Holly Sims: I think that that will be a barrier to uptake of Green Deal. I do not think that will be the case for all people in fuel poverty and for all people who want to get involved with Green Deal. We work very closely with ACRE. Was that in part of their consultation response to the Green Deal consultation or was that part of their evidence to this Committee?

Barry Gardiner: I will tell you in a second. I think it was—

Chair: It was the Green Deal.

Barry Gardiner: Yes, in response to the Green Deal.

Holly Sims: I have worked closely with ACRE—and we liaised with them with regard to their Green Deal response. I cannot speak on behalf of ACRE, but I think what they are referring to there is the lack of that rural safeguard. I know part of their Green Deal response was to criticise the lack of rural proofing for Green Deal. In subsequent revisions to the Green Deal legislation, we have seen that addressed through the rural communities’ specific funding pot, so I believe that that particular issue may have been addressed.

In terms of the fuel poor being debt averse, yes, I would say that that is true. However, if the Green Deal works as it is supposed to do, then people will not be taking on debt, because they will never be paying more than—

Barry Gardiner: Absolutely, it goes with the property not with the person.
Holly Sims: If the Green Deal functions in the way that the Government has set it up to function, then I do not believe that that will be an issue. In terms of what Calor can do and is doing, certainly the FREE initiative is a £1 million investment from Calor into trying to tackle rural fuel poverty. We have worked with rural community councils, with ACRE and with National Energy Action over the last three years to try to bring energy efficiency advice, fuel poverty awareness into rural communities. We have trained up advisers; we have an energy champions’ network. We have carried out village energy audits to try to understand where opportunities exist for insulation measures previously under CERT—

Q213 Barry Gardiner: How many households have you taken out of fuel poverty?
Holly Sims: It is not possible to measure that; we cannot say how many households we have personally taken out from fuel poverty. The number of households that we have been working with across England runs into the tens of thousands, but as I am sure you are aware, it is impossible to measure the households we have taken out of fuel poverty.

Q214 Dan Rogerson: It is a question that I am sure around the table we would have a view to an answer, but we need to gather as much evidence as possible about the effects around what makes communities sustainable. We are talking about energy here as well, but in terms of the work you and your company has done in rural communities, why is the affordability of housing such a crucial factor in sustainable communities?
Holly Sims: In terms of affordable housing, I think that is part of the wider debate. It is an issue for Calor because a lot of our business comes from new build properties and we put LPG into new builds. There is obviously a commercial market for us there and when that market is depressed or when we see barriers to that market that is of a commercial concern to us. A part of the reason we do not want to work with rural communities, on behalf of rural communities. Calor is probably the best known brand name and so therefore I believe we have a responsibility to try and represent rural communities within energy policy and housing comes within that.

We are concerned by the revisions to the building regulations. We are concerned that the Government is pushing for zero carbon homes four years ahead of the European targets. Under the Energy Performance of Buildings Directive, it calls for zero or near zero carbon buildings by 2020 with an interim step at 2015. What the current Government is pushing for is this to be achieved by 2016 with an interim step at 2013. Now, that is extremely laudable; however, is it practical to deliver this in the current economic climate where we have already seen house building depressed? At Calor, we have concerns that if you are adding to the cost of a new build then rural builders who often are building low volume housing will simply stop building. We have had conversations with the Federation of Master Builders and other organisations on that.

Q215 Dan Rogerson: Do you think the concept of affordability needs to take into account running costs as well as building costs, though?
Holly Sims: Yes, I think it does. Running costs are an issue; there are ways in which rural properties can reduce their running costs: obviously energy efficiency, and the more efficient that you make the home obviously the lower the running costs will be. However, we do not believe that the current building regulations are the only way to achieve this. A great deal can be done just by fitting condensing boilers combined with, say, a renewable such as solar thermal. That can do a huge amount to reduce costs and improve the energy efficiency of the building without going that full step to near or zero carbon at this stage.

Q216 Dan Rogerson: Finally, as a significant player in the rural market, as you have said, is your business looking at other forms of energy and getting involved in those, bearing in mind what Mr Gardiner was saying earlier on about fossil fuels being something that we are tracking away from?
Holly Sims: Absolutely. Over the last two years we have started retailing renewables, so we sell solar thermal, solar PV. We retail micro combined heat and power units. We have a partnership with a leading insulation provider, so we are now able to provide customers with a full energy efficiency package. One last thing: our sales force is also Energy Saving Trust accredited.

Q217 Neil Parish: I want to move now to the Rural Statement. What is your opinion of it? I see in the evidence that you would like to see rural housing and energy issues addressed in the Rural Statement, so what would you like to see in there?
Holly Sims: Things around the EPC: as we have already mentioned, it is a significant barrier for rural properties. I was pleased to see in the Rural Statement the focus on promoting and publicising things like the Green Deal and the Energy Company Obligation, also other incentive mechanisms such as the feed-in tariffs and the RHI. We welcome that in the Rural Statement. We would have liked to see it go further. I believe it is just one bullet point of many within the Rural Statement and I appreciate the Rural Statement has a lot to encompass. We would have liked to have seen more focus particularly on how Defra intends to promote Green Deal and ECO within rural communities. Certainly we would have liked to see the EPC issues addressed and again with the building regulations. We see the role of the Rural Communities Policy Unit to bring together Government Departments to look at policy across all Government Departments and I think there is something missing there with DCLG in terms of the building regulations, so we would like to see greater emphasis on that.

Q218 Neil Parish: Just one last point. I think not only on new build but on existing build with solid
wall, the insulation and the cost of doing this does not fit into the Green Deal. I rather worry a lot of my constituents will have to pay extra for electricity but still not be able to get Green Deal. Is that your view?

Holly Sims: As long as they can access ECO funding then it can bring them into the Green Deal. Obviously there are quite strict criteria around ECO and again I know the executives responsible for delivering ECO are currently looking at that in great detail. We work with one of the suppliers in looking at ECO. As long as rural residents can access ECO, then it can bring them in under Green Deal. If they cannot access ECO, I do not think they will be able to get solid wall insulation.

Neil Parish: Can I just ask, Madam Chairman, that we have some written evidence on this, if we could—on the ECO deal and what British Gas is doing?

Chair: We did ask that earlier, yes.

Q219 Mrs Glindon: Are you satisfied with the level of engagement you have with the RCPU and that your concerns are taken on board by the Unit?

Holly Sims: Yes, absolutely. We have really welcomed the establishment of the RCPU. We have found them to be very open, very engaging. We were getting frustrated, as I said earlier, with the issues we have found with EPCs and SAP, where it was perhaps falling between DCLG and DECC and we felt that we were not getting anywhere with that. We went to Defra and asked for their assistance.

We went to one of the officials and she brokered a meeting for us that brought together DCLG and DECC, which was extremely helpful and we would not have got that meeting, I believe, without the intervention of the RCPU, so we have been very pleased to see it. We had concerns when the CRC was abolished, for want of a better word. We were concerned that that scrutiny would then not exist and we have seen that through the RCPU that scrutiny does exist and is working very well. We are very pleased with that and very grateful to Defra for the assistance they have given us.

Q220 Mrs Glindon: What does the RCPU need to do in order to ensure the views of the hardest to reach voices in rural communities are heard by Government?

Holly Sims: I think they need to carry on what they are doing, which is engage with the people who can reach those very hardest to reach, so people like Citizens Advice Bureau, National Energy Action, ACRE, the rural community councils.

If there is something that Calor has learnt from our corporate responsibility work in rural areas, it is that you have to dig deep into rural communities. People will not come forward, particularly if they are struggling, because of the stigma that is attached to it. Those people are very difficult to reach and it is through the trusted intermediaries, the people who are working on the ground every day in rural communities that you can engage with those people. So I think it is vital for Defra to keep talking to those groups and make sure that there is two-way communication between the likes of ACRE, the rural community councils and so on with Defra. That is the best way to ensure the hardest to reach are heard.
Q223 Chair: Excellent. Do you have a view on what the implications are generally for rural communities of building on greenfields and particularly whether it might have an impact on either, potentially, flood risk or food security?

Sue Chalkley: I certainly do have a view. Because I happen to also be a Trustee of the National Flood Forum and I have been flooded myself. The risks associated with building on floodplains are perhaps overly focused on, in that I would much rather we all worked to increase general awareness of flood risk and the fact that more than 50% of people who flood do not flood from rivers or coastal flooding. So I think it is a much broader issue.

John Slaughter: Flooding is obviously a massive issue and very topical at the moment. I think, as far as our members are concerned, if you are applying for planning permission it is a standard part of the procedure that you undertake a proper flood risk assessment and that is properly considered and commented on by the Environment Agency. I think our view is that these issues are properly part of the public agenda, but there is an established process for ensuring that we are not going to be building in a way to exacerbate the flood risk or flooding problems.

Q224 Chair: Presumably, Mr Slaughter especially, you will accept that there are some places where it is inappropriate to build.

John Slaughter: Absolutely, yes, which is the purpose of the flood risk assessment.

Q225 Chair: Excellent. How many homes have received planning permission this year that will be built in areas that Environment Agency considers to be at risk of flooding?

John Slaughter: I do not have a figure with me today. There are clearly homes that are built in areas of flood risk, but the permission will always be dependent on putting appropriate mitigation or defence mechanisms in place.

Q226 Chair: Right. But if you take the scenario that Sue Chalkley has identified—I could take you to areas of my constituency that have flooded twice in the last two months from surface water flooding. What appears to be happening is that sewage outflows, sewage pipes are overflowing with surface water flooding from places that should not normally leak into sewage water out pipes. Do you think there should be an end to the automatic right to connect?

John Slaughter: No, we do not think there should be an end to that. That would be a massive problem from the building industry’s perspective and we see no justification for that.

Q227 Chair: Right. But at the moment you are asking people to live in houses that are flooding because the Environment Agency’s advice has not been followed and possibly, I might be in a minority of one here, but I would personally like to see water companies as statutory consultees and then we would avoid this situation in the future.

John Slaughter: Obviously the Environment Agency is a statutory consultee and provides advice. I think there are very few examples where the Environment Agency’s advice is not taken on board.

Q228 Chair: Okay. Well, I might beg to disagree. The lower figure is that in 2010 Government figures show 9,254 new homes were built on floodplains. A more recent figure from a Daily Telegraph article this month is that the Environment Agency has objected to 3,000 separate plans that would lead to 27,923 houses being built in areas prone to flooding. Do you think it is acceptable that when a local authority turns a planning application down because it is worried about being built on a floodplain that it is allowed on appeal by an out of area planning inspector? Do you not think that is giving developers a bad name?

John Slaughter: No, not at all. You would have to have reasonable grounds for appealing and if they were not substantiated the appeal would not be allowed. That is a normal part of the necessary checks and balances of the system. The 9,000 homes, they may be on floodplains but that is not to say that there are not appropriate defence or mitigation measures in place. You cannot just go off the number of homes built on floodplains. There are clearly large parts of the country—

Q229 Chair: What would you go on, then, if you cannot go by that figure?

John Slaughter: Can I just finish my point? The point is that you have large parts of the country where there is probably not an alternative to building on floodplains if you want to provide housing, because historically many settlements were built in—

Chair: Well, then build them somewhere else.

John Slaughter: Well, if the local authority would make these sites available, but they may not want to, because they may be areas of outstanding natural beauty or green belt or not an area of existing settlement. It is not a straightforward question. Looking at flooding is only one aspect of balancing where development should go.
Q230 Chair: What would the cost of a court case be for a local authority to appeal such a decision? You must know.
John Slaughter: I really do not know off the top of my head.
Chair: It is probably about upwards of £10,000.
John Slaughter: It may well be, yes.

Q231 Chair: How is a local authority in the present climate going to afford that?
John Slaughter: Well, I think it is equally an issue for developers; they have to afford the money. Before you ever get to the point of having an appeal, if it a significant development—and we have to be careful here because if the context is rural housing a lot of the developments we are talking about are very, very small ones—
Chair: Sorry, say that again.
John Slaughter: If we are looking at the context of the rural economy, a lot of the developments we are talking about in small communities are going to be—
Chair: Three hundred houses in Muston Road, Filey is not a small development.
John Slaughter: Well, if Filey is within the scope of the inquiry, that is fine; I was not necessarily sure it was. The point really is that you have gone through a massively long process before you ever get to the stage of the appeal that you are talking about, including, from the developer’s point of view, potentially, for a site of 300 homes you may have invested an extraordinarily larger amount of money than the cost of the appeal in just making the planning application, submitting the consultancy studies, going through the environmental clearance processes. I think you have to see this issue in the context of the wider process.

Q232 Chair: So what explicit information do you, as developers, give to home buyers before they purchase their new home that it is at risk of flooding?
John Slaughter: I am not sure. I could not tell you off the top of my head.

Q233 Chair: That is possibly the problem, is it not?
John Slaughter: Well, I think you would provide any relevant information to a particular development, but if you have undertaken work in all good faith that has been agreed by the authority and the Environment Agency etc. to put in place protections and mitigation, then I guess you would probably inform the consumer of that in the first instance and therefore provide assurance that—

Q234 Chair: So you are prepared to do that. Do you do that?
John Slaughter: I cannot literally answer that, because I have not asked that question of our members.

Q235 Chair: Could you possibly ask that question and submit a written answer?
John Slaughter: Of course, yes.

Q236 Chair: Can I put a question to Mr Biggs and Sue Chalkley? Given this discussion and surface water flooding events since 2007, would you support a stronger planning framework that prohibited development in areas that the Environment Agency specifically considered to be at risk of flooding?
Graham Biggs: Again, I am inclined to the view it depends on the remediation measures and, quite clearly, if the land has flooded. Until three years ago I was a local authority chief executive and I was certainly aware in my own district of areas identified by the Environment Agency that nobody in living memory could recall ever having flooded. But if land has flooded, whether it is from river or from the land, then in my view you have to be very, very, very satisfied that the remediation measures agreed with the Environment Agency are up to the job on the basis of history.
Sue Chalkley: I support Graham Biggs’s response. All I would add is that I would like to see flood resilience built into the design and construction of all new homes, regardless of where they are.

Q237 Barry Gardiner: Mr Slaughter, you said in the HBF’s submission that mortgage availability is the biggest current constraint on supply: “If people cannot buy, builders cannot build.” That is nonsense, is it not?
John Slaughter: No, not at all.

Q238 Barry Gardiner: Builders could reduce their prices, could they not?
John Slaughter: You would still have the problem of mortgage availability.

Barry Gardiner: What you have implied is that mortgage availability is the key and only problem here, but in fact if you look at the last 10 years, the house prices have increased by 94% compared to a 29% increase in wages and your labour costs. There is a clear margin here that would enable you to lower your prices and I would suggest to you that you are keeping them artificially high in order to make sure that… You are not building, so as to maintain those prices, rather than saying “there is a need here, let us build them and lower our prices”.

John Slaughter: That is absolutely not the case. Prices have come down since the top of the market. They are probably a good 20% lower in real terms than they were.

Barry Gardiner: They are 94% higher than they were 10 years ago.

John Slaughter: That is a reflection of housing shortage, supply and demand and the price of land.

Q239 Barry Gardiner: It would only be a reflection of housing shortage if, in fact, you did not have the problem that you say is causing you constraint, which is the constraint of mortgage supply. You cannot have it both ways, can you? You cannot say that the price is high because so many people want to buy and it is a reflection of the shortage and, at the same time, say that people cannot buy.

John Slaughter: That is not what I said. I said there was a supply and demand situation. I did not say that was about mortgages. The supply and demand situation is about land supply through the planning system. There has not been enough land supply to meet the level of demand that is out there. That is why
house prices have increased. Mortgage availability is the thing that has happened since.

**Barry Gardiner:** That would imply that for every house you can build, that you have land availability, you have no problem in selling it. That is what you are saying to me.

**John Slaughter:** No, no, I am not saying that. There are two separate things here.

Q240 **Barry Gardiner:** Otherwise it would not be driving it by supply and demand. It would not be driving those prices up, would it?

**John Slaughter:** There are two separate things going on here. One is long-term land supply trends and the planning system simply has not delivered enough land. The problem of high prices in the housing market has been building up over 25 years or more in terms of the affordability problem. It is nothing to do with the current mortgage situation. The problem is that in the current mortgage situation it would not matter, frankly, if the prices—

**Barry Gardiner:** You said that mortgage availability is the biggest current constraint on supply.

**John Slaughter:** Yes.

**Barry Gardiner:** I am quoting you here. Do not now tell me that mortgage availability has nothing to do with it.

**John Slaughter:** I am not. I am trying to explain that there are two completely separate things going on here and you have to understand both and not run them together, because they are separate issues. One is land supply, which I have talked about. The second is mortgage availability. Prices were going up on a very long term trend before 2007, 2008 when the financial markets crashed, so you can quite clearly demonstrate a long term trend in reduced housing affordability for purchase that had nothing to do with the availability of mortgage credit, because mortgage credit was abundant. The problem was the shortage of physical supply. What we now have is a situation where—

Q241 **Barry Gardiner:** Okay, let me just stop you there then, Mr Slaughter. You say that there is a problem of physical supply, right, and the problem of physical supply means that you are constrained in the number of homes that you can build, is that right?

**John Slaughter:** That has been a constraint all the way through. What is different now is that you could build more or you could sell more homes faster if the credit was there.

**Barry Gardiner:** You said do not run them together, so I am trying to go with you and not run them together. Now you want to run them together.

**John Slaughter:** No, I am not running them together.

Q242 **Barry Gardiner:** Let us just look at the land supply and the availability of properties that you can build. Now, you said to me just earlier that the reason that the price has gone up by 94% over the past decade is because of supply and demand: that there are more people who want those properties than there are properties available and that is because of the constraint of land supply. Is that correct?

**John Slaughter:** Yes.

**Barry Gardiner:** Okay. So, in other words, you should be able to sell every property that you can build.

**John Slaughter:** No, because you need both.

Q243 **Barry Gardiner:** There is an over demand and an under supply is what you are saying, otherwise the price would not be going up, would it?

**John Slaughter:** No, there is a problem that people who would like to buy homes cannot buy homes. It is a question of what demand is realisable in a situation of credit shortage; that is the problem at the moment. What we meant in our evidence— and clearly as a business what you cannot do is invest lots of capital in building product that people then cannot buy because they cannot access credit. What you need to do to solve the housing crisis is both tackle the long term constraints on land supply, to have a better land supply, and to improve the credit position. You need to do both.

**Barry Gardiner:** So the constraint on land supply tends to put prices up.

**John Slaughter:** Yes.

**Barry Gardiner:** The constraint on mortgage availability would tend to depress prices, because it reduces demand.

**John Slaughter:** Well, it has depressed prices.

**Barry Gardiner:** Or, to quote you, “If people cannot buy, builders cannot build.”

**John Slaughter:** Yes.

**Barry Gardiner:** But the third option is that, given that you have raised your prices by 94% and justified that on the basis of a restricted land supply, to cope with the problem of constraint of mortgage supply you could reduce your prices and you do not because you want to maintain them high.

**John Slaughter:** You cannot build sites on a non-viable basis. You have to make a satisfactory rate of return, so there is a limit to how far you can reduce prices.

Q244 **Barry Gardiner:** How much have your labour costs gone up?

**John Slaughter:** In what period?

**Barry Gardiner:** In the past 10 years.

**John Slaughter:** I do not know.

**Barry Gardiner:** By 29%.

**John Slaughter:** Yes, you said 29%, yes.

**Barry Gardiner:** How much have your prices gone up? By 94%.

**John Slaughter:** Yes, but that is supply and demand.

Q245 **Dan Rogerson:** Building on Mr Gardiner’s line of questioning, we go back one stage further. If you are arguing that you are making a fair and realistic return on the investment you do, the stage before that is the cost of land. There are two schools of thought on how you tackle that. One is to say you take the lid off planning, there is a lot more land available and the cost comes down. I would argue that in areas where that has happened it does not happen for the reason we have said, in that you do not necessarily want to see them get that much cheaper and so what happens is the land is available but it just takes longer to build them and so they sit there.
The other argument is that you go much tighter, so that you take away the hope value from land, particularly in rural areas, which we are talking about, so that land owners do not think "Right, I will sit on it because maybe I will get planning permission next year". They know they are never going to get planning permission unless they do a deal with the local authority to make things more affordable and so on and to provide land at a cheaper price. Which side of that argument would you come down on?

**John Slaughter:** In all honesty, I do not think that we feel that the hope value approach is one that will probably work on a wide scale basis. It can work in limited circumstances, possibly in small rural communities, but I think on the whole it is unlikely to work because, generally speaking, land owners are not in a hurry to sell land and if the price is not attractive enough they tend to think that they can wait until a period when it may be. The experience of our industry would certainly tend to take the view that ensuring the planning system fairly delivers a sufficient level of land supply to meet assessed requirements is the better way to go. If you go down the hope value route, you will probably end up, necessarily, with a smaller supply of homes than you need.

**Q246 Ms Ritchie:** According to the LGA, there are currently 400,000 planning permissions that have not been seen development. Should land be taken away from developers where construction has not started after a year from permission being granted or if the development is taking too long?

**John Slaughter:** Well, no and no, but let me give you an analysis of the 400,000 figure, because it has received a lot of currency recently. We have done some analysis of this. First of all, those 400,000 plots are for housing associations as well as developers and some other players, but if you look at what we need to be building, 400,000 plots is not a lot. We are building over 100,000 units a year and we should be building 200,000 units a year, so it is really not a massively long land supply anyway.

Of those 400,000 plots, 62% or 63% are under construction; 75,000 are on sites where there are issues about viability not being sufficient for the site to proceed in current circumstances and there is a balance of about 70,000 for which probably—although we do not have the substantiated analysis on this—the likelihood is that a large part of those are probably on large sites where necessarily you do not start construction on the units at one time. We have not published this information, but I am happy to share it with the Committee. The analysis of that 400,000 figure simply does not bear out that there is a land banking issue.

**Q247 Chair:** Could we put that question to Sue Chalkley and Mr Biggs?

**Sue Chalkley:** Very few housing associations engage in land banking. Certainly Hastoe does not do it at all.

**Chair:** But on the principle of whether planning permission should be withdrawn if the land is not built on. Do not worry if you do not have a strong view.

**Sue Chalkley:** I am not sure that we have a view. I cannot really speak on behalf of the National Federation on that one, sorry.

**Graham Biggs:** I would say it is a massively complicated equation, is it not?

**Chair:** If you want to say yes, just say yes.

**Graham Biggs:** Whether planning permission lapsing after five years is too long I think is really open for discussion. What is the purpose of the local authority withdrawing planning permission? It presupposes that it can allocate that planning permission somewhere else that will get developed. In rural areas we know the development time frame is years in the making, particularly if we are talking about exception sites. We need the right sledgehammer to hit the right nut and that may not be it, certainly in rural terms.

**John Slaughter:** I would just briefly say that you would also be introducing more risk into the whole environment if you went down that route. The likelihood is that you would simply deter people from wanting to come forward. If you were in a situation, for example, where a site was maybe quite difficult to take forward, you would probably be less inclined to proceed with it because you ran the risk of a clawback or some other penalty. You have to think quite carefully about whether any such measures would achieve the overall objective that is required.

**Q248 Mrs Glindon:** How effective are Section 106 agreements in providing affordable housing in rural areas and to what extent are they blocking housing development in rural areas, as implied by the provisions in the Government’s Growth and Infrastructure Bill?

**Sue Chalkley:** I think there are two facets to the answer. One is that, clearly, Section 106 is renegotiated to reduce the affordable housing element. Over a period of time there will be less affordable housing delivered. It may well speed up the delivery of housing schemes—there will be more housing overall, it is just the affordable element that will be reduced—but there is a particular thing to do with the Growth and Infrastructure Bill and that renegotiation and exception sites that we are concerned about. That is that a landowner sells an exception site at round about £8,000 per plot. It is just an enhanced agricultural value and he does it because he is making land available to build homes for people who live in the village.

If he thinks there is a possibility that that Section 106 can subsequently be renegotiated to increase the proportion of market homes, he either is not going to release the land at all or he is going to play games with the viability and the planning process. We are quite concerned about that and are lobbying that exception sites are excluded from that particular clause 5 of the Growth and Infrastructure Bill. It could unravel the whole system accidentally without people intending it to.

**Graham Biggs:** I would support everything Sue said.

**John Slaughter:** I think the point Sue has raised is probably a valid consideration in terms of the Bill. We have no issue with exception site policy per se. We are not sure it has delivered as much as it should do,
but that is another matter. I think that is a fair point to consider in the Bill.

More generally, Section 106 obviously has been an important means of providing affordable housing. It is well established; it is well understood by the industry. I think the clause in the Bill more generally is one that we support, leaving aside the exception site point, simply because we think it is important that there is always an ability or incentive for local authorities to be prepared to have a practical discussion about the level of provision of affordable housing where, in current circumstances, it is an issue in terms of viability.

Q249 Richard Drax: Mr Slaughter, what experience have you had, so far as the Section 106s are concerned, where the terms demanded are so onerous that the development is unlikely to go ahead?

John Slaughter: It has been a fairly significant problem. In the last few years and affordable housing is usually the issue on which it focuses. That is both because affordable housing is very often the biggest single element of a Section 106 financial contribution and because probably, in practice, whereas other aspects of Section 106 may be something that is a necessity in terms of delivering the site—that provision has to be made—affordable housing is something that, in principle, is more negotiable within the legalities of the system. Financially, something like 50% of financial contributions through Section 106 are for affordable housing, so when you have circumstances, as we have had over recent years, where viability is much more stretched, then I think it is fairly likely that that is going to crop up.

I mentioned the analysis of 400,000: 75,000 of those 400,000 are sites that are classified as unviable. I cannot say how many of those relate to affordable housing, but it gives you some sense of the scale of the problem.

Q250 Chair: Just before we leave Mrs Glindon’s question, would you be happy that exception sites be excluded from the Bill, Mr Slaughter?

John Slaughter: I think so, yes. It is not going to be a major concern for our industry if that was the case.

Q251 Dan Rogerson: I have a slightly more arty question now. This is the view that we need to be looking at the quality of the environment a lot more. The planning Minister has talked about more beautiful places, that we do not need to be looking just at unit number, density and so on, but we need to look more at the place-shaping role. What is your view on that?

Sue Chalkley: I strongly agree. Hastoe’s rural specialist model is a different model from a normal development model in that we start with the community and the community ask for help with delivering their affordable housing, so we work alongside them. As a result of that, the scheme goes through many iterations of design and we do have a longer lead in period, but we end up with quite beautiful homes that add value to the community and people are proud to live in them. The long term maintenance and management costs are considerably lower, so whilst they might cost a little bit more upfront the benefit comes through. We have 30-year business plans in the housing association sector, so we see the benefit come through over a period of time, so I strongly support that.

Dan Rogerson: Other sectors should probably think in the long term as well a bit more than they do.

Graham Biggs: I agree with Sue absolutely. Certainly in the district of South Shropshire where I was, our local housing association adopted exactly that philosophy. But you are talking about smaller numbers. There are higher infrastructure and development costs in rural areas; good design does cost a bit more. Those things do have to be factored in to the financing of rural housing.

John Slaughter: We support the objective of good quality place-making. Something that the HBF has supported for over 10 years and we have just recently revised, and I can share the details of this with the Committee if it is of interest. It is called Building for Life, which we work on with CABE, the Design Council and another partner. It is very much about promoting good quality outcomes in the planning process.

I think you have to be clear that it is not so much about the individual buildings, because customer satisfaction levels are very high on individual homes at 90%, but we agree that it is appropriate to have a good focus on place-making. The NPPF gives a very strong emphasis to that. One of our hopes for the new system is in the way that it encourages a more constructive dialogue at local level. This will enable us to more generally achieve better outcomes.

Q252 Dan Rogerson: To move on to an issue of some importance to me as an MP in Cornwall, particularly North Cornwall—that of second homes and the impact that they have on the communities around them—how big a problem do you think this is and what might be the solution to dealing with it?

Graham Biggs: I think it is a massive problem in many, many rural areas. In fact, you may even regard it as being the thing that kicked off the high property prices in the first instance, with people being able to move out of urban areas and sell their relatively small property for a relatively large amount of money and buy the equivalent of a mansion in a rural area. We even see small cottages now being bought as second homes, so I think it does add demonstrably to the housing crisis.

Now, I have to say that many people who buy a second home eventually come to live there on a permanent basis and add an awful lot to the local community. I do not wish to appear to be entirely critical of the process, but it does add to those housing costs. I do not know what you can do to solve that particular problem. You can take council tax to 100%; fine, but I do not think it would solve the problem. Increasing it to 200% or 300%?

Q253 Dan Rogerson: I quite agree, so the only other tool that we have and one that we attempt to use to structure communities is planning. Matthew Taylor’s report dealt with this, so did Elinor Goodman’s a while before. They both suggested planning use
categories as being something that could be done. Do you think there is mileage in that?

**Graham Biggs:** Yes.

**Dan Rogerson:** You do, so you would support that.

**Graham Biggs:** Yes, it was part of our evidence to both of those inquiries.

**Q254 Dan Rogerson:** Okay, thank you very much, excellent. Can I put the same question to Mr Slaughter?

**John Slaughter:** I guess we would not start from there. We would start from the principle—I agree that it is very hard to control and legally it is difficult to stop people buying second homes, so our view is that what is needed is positive planning for the community’s requirements. I do not think it would be our preference to go down the Use Classes Orders route; because we have a general view that one does not want to make the Use Class system more complex than it needs to be.

I think there are potentially other ways of working through this. There are tools available through the NPPF and neighbourhood planning. There are other initiatives out there. There is the Community Right to Build; there is the growing interest in custom build. All these are models that could help meet the needs of areas such as your own.

**Q255 Dan Rogerson:** The issue is that most of them ultimately end up with inflicting housing numbers above and beyond the needs of the local community or, indeed, the local tourist industry. What is to stop those houses then being bought, unless we are looking at affordable to rent or shared ownership, which of course are a particular market, but in terms of the open market it is vulnerable.

**Sue Chalkley:** Some 2.8% of our population currently have second homes, which is absolutely huge when you think that we are spending money to look at how we can bring empty homes back into use and yet there is such a huge proportion. I find it ironic that often when we are developing schemes and we are responding to the parish council that has come to us and asked for help, it is very often the people who have second homes in the village who then start objecting. In one of my submissions you will see that I have shown a graph indicating second home ownership by district council and the volume of town and village green applications. I would suggest in a number of cases they are vexatious and they run in parallel. I do wonder whether their first priority is the value of their home or the ongoing viability of the community.

Can I just say that in the last 12 months we have had two people approach us saying, “Can I bequeath my home to Hastoe on condition that you use it for local people in the village, because I really do not want it to end up as a second home and be empty through the winter?”

**Q256 Dan Rogerson:** The last point you made was about consultation, which is an interesting one. If we are now moving to a process of neighbourhood plans and those going to referendum in a community, do you think it is important that those on the register are those who have a stake in the community rather than those who might just have a property there?

**Sue Chalkley:** I have not thought of an answer. Instinctively, I would like to agree with you.

**Q257 Ms Ritchie:** To what extent are rural exception sites the key to providing housing for rural communities and should more market housing be allowed in these sites if this leads to more affordable housing?

**Sue Chalkley:** The vast majority of our programme is on rural exception sites. They are the real key to unlocking and responding to rural communities, because they feel safe with the exception site policy, it has been a very successful policy from the point of view of responding to individual rural communities and the families that we have been able to help. Hastoe has lobbied and we have developed schemes where we have had two or three open market sales on a scheme where there has not been grant, so that we can cross-subsidise and make the scheme work. It has to be managed very sensitively, because if it goes a little bit too far then you do get the hope value and you do get landowners looking to raise more.

**Graham Biggs:** That would mirror my experience exactly.

**John Slaughter:** I have already touched on this. We have no problem with the principle of rural exception sites. Our view is that they have not delivered enough to meet the needs in rural areas. I took part in the discussions on Elinor Goodman’s Affordable Rural Housing Commission some years ago. I took part in a big conference that was held for that and talked to a number of councillors from rural areas around this very question. I was quite surprised that they did not necessarily support the rural exception sites policy themselves. There was quite a lot of discussion about it at that time as to whether it was the best model.

Again, not saying it was the wrong principle per se but simply that it was not ever going to deliver enough to meet the scale of need.

**Q258 Chair:** Can I have a quick yes/no answer to this one? All new houses: will they have access and infrastructure to superfast broadband in rural areas?

**John Slaughter:** Not as things stand.

**Q259 Chair:** So what are you going to do? Will you make it a requirement of the planning process that they should?

**John Slaughter:** You could do.

**Chair:** We will take that as a yes.

**John Slaughter:** Can I just say there is one important point here? British Telecom is not necessarily in favour of this as a universal service standard. Therefore, at the moment, from our members’ point of view, we often do put fibre optics into new developments, but it is not mandatory. There is a problem in that BT does not appear to necessarily support it being mandatory, but I think in principle, yes.

**Chair:** We shall take that up with BT.
Q260 Neil Parish: A fairly straightforward question: why is affordable housing important for sustaining rural communities?

Graham Biggs: Because without it those rural communities will age, the rural shop will close, the school will close—

Neil Parish: They are doing that already—keep going, sorry.

Graham Biggs: Unless you have some affordable housing breathing new life back into the village there is only one alternative to that and that is the village will slowly die. Having lost it, you will not get it back. That is my opinion.

Sue Chalkley: That is the point: a lot of villages still have that inter-generational support network that works so well. It is the Government’s Big Society in action in these rural villages and once you prevent the children of families being able to stay living in their home village they move away and it is gone forever. The schools close, the post offices close.

Neil Parish: That leads you into the school situation, where there are not enough children for the school.

Sue Chalkley: Yes and then there is no hope, it has gone and then it just becomes a retirement village.

Q261 Neil Parish: Before I bring John Slaughter in, can I just ask rural areas are home to 19% of the population, but will receive only 10% of homes built under the affordable homes schemes. What are we going to do about that?

Sue Chalkley: I am slightly worried as well that the outcome might be even lower than that, because a number of non-specialist rural housing associations said that they were going to develop rural but are now finding it a bit more complicated than they thought and they are substituting those schemes with urban schemes. I know it is a dirty word to say “target”, but because there is no target, or there is no particular imperative to deliver the proportion of rural that was originally in the programme, we may not even achieve the 9% that was there originally.

Q262 Neil Parish: Does John Slaughter want to say anything?

John Slaughter: I support the objective. Again, going back to Elinor Goodman's work, I heard at first hand how vital providing affordable solutions for local people is. I totally agree. I think the only question really is the best delivery mechanism, the best method through the planning system and how you can bring finance in to provide it. I guess we would say, look at as diverse a set of solutions to providing affordable solutions as you can.

Q263 Neil Parish: The next question is similar. Under the Affordable Homes Programme the Government have committed to build approximately 80,000 affordable homes by 2015, but only 8,000 of these in rural areas. I suspect it is rather optimistic with the 80,000 and the 8,000. What are your views on that and how do we stimulate it?

Sue Chalkley: From the point of view of proportion, I think some kind of target or monitoring as to what proportion is delivered. The Government is trying to respond with the loan guarantees. There are things that can be done. The simplest answer is one that I know is not going to happen, which is more grant, because a lot of associations are getting very highly geared.

Q264 Neil Parish: Yes, because over the years the grant has been whittled away for housing associations, has it not?

Sue Chalkley: Yes.

Q265 Chair: Does anybody else want to comment?

John Slaughter: You have to bear in mind that is also an issue for our members, because when you talk about Section 106 as the delivery mechanism it is supported by the finance that is available for affordable housing. If the finance is not there it is going to affect all of our ability to deliver.

Q266 Neil Parish: Would it be right to borrow as well, because interest rates are low?

Sue Chalkley: Housing associations do borrow. My association has just gone to the bond market and raised money at a very good rate, so we are doing our best.

Graham Biggs: I just make the point that a number of our members are saying to me that when they go to their funders for new funding they are being told, “Yes, as long as you renegotiate the whole of your historic package”, which blows any new schemes out of the water from a financial viability perspective.

Neil Parish: Typical banks.

Q267 Richard Drax: Are you worried that the Affordable Rent model, where rents are tagged at 80% of the market rate, will mean that houses under the scheme remain out of reach for many rural workers?

Graham Biggs: If those rural workers are earning their income in the rural economy, as the question implies, then yes, that 80% will take them outside of affordability in a lot of cases.

Sue Chalkley: Or put them on to partial housing benefit, with the issues that that brings with the historic package, which blows any new schemes out of the water from a financial viability perspective.

Neil Parish: Typical banks.

Q268 Richard Drax: Mr Biggs, if I may ask you this question: what impact have neighbourhood plans had on the provision of affordable housing in rural communities?

Graham Biggs: It is too soon to say. There is lots of history in rural areas of village plans, community plans—call them what you will—on an informal basis. Many of you in your constituencies will have had the experience of pretty much everybody in a village supporting the concept of affordable housing and then being opposed to it when a site is identified. I think neighbourhood planning has the opportunity of having that negotiation with the community much, much earlier in the process and an understanding that will lead to better outcomes. Certainly we have done surveys of our members and there is a lot of hope out there for the new system.

Q269 Chair: I have an eye on the clock because we are expecting a vote. You mentioned housing benefit there, Sue Chalkley. Can I just ask if you are...
Concerned about the impact of housing benefit reforms on under-occupancy?

**Sue Chalkley:** Yes, particularly in rural communities. We have a policy of, where we have a young family, allowing them a spare bedroom so that they can grow into their home, because there will be nowhere else for them to live—those eight, perhaps, homes in that village are the only affordable homes. We will not, potentially, be able to do that in future.

**Q270 Chair:** Am I right in thinking that housing benefit will now be paid for the month?

**Sue Chalkley:** It will be paid monthly. There is an issue about people having bank accounts and the money going direct to them rather than to us.

**Q271 Chair:** Have you expressed your concerns to DWP about that?

**Sue Chalkley:** Putting my National Housing Federation hat on, they have been working very closely with DWP on the development of welfare reform.

**Graham Biggs:** I think there is one other issue. Sue has referred to the younger families. There is also a big issue for older people living in their family home where there simply is not a house of a smaller size within that village. You are suddenly forcing people who have brought their families up to move perhaps to the nearest market town.

**Q272 Chair:** Mr Biggs, do you share Sue Chalkley’s concern?

**Graham Biggs:** Absolutely. If you look at the proposals from the Government in terms of its latest consultation—next year’s finance settlement is not due out until next week—they consulted on improving the value of sparsity of population within the formula by quite a significant extent. They then immediately, through damping, lost on average 75% of that. It does seem to us blatantly unfair that suddenly, after decades, there is recognition of those extra costs for providing services in rural areas, but then you lock the system off for seven years and before you do that you damp 75% of it away. This is not a transitional relief scheme where a bit of it will be clawed back each year; it is going to be locked off for seven years. I remain hopeful but not expectant about the settlement next week.

**Chair:** Thank you very much indeed for participating. This is our last formal session before Christmas, so we wish you and all our witnesses the compliments of the season and to the Committee the same. Thank you all for your patience. We have been on quite a tight timetable for reasons you will understand and we are very grateful to you for being with us this afternoon. Thank you very much.
Wednesday 9 January 2013

Members present:

Miss Anne McIntosh (Chair)

Richard Drax
George Eustice
Barry Gardiner
Mrs Mary Glindon

Neil Parish
Ms Margaret Ritchie
Dan Rogerson

Examination of Witnesses

Witnesses: Tony Gates, Chief Executive, Northumberland National Park Authority, Paul Hamblin, Director, English National Park Authorities Association, and Neil Sinden, Policy and Campaigns Director, Campaign to Protect Rural England, gave evidence.

Q274 Chair: Good afternoon, gentlemen. You are all extremely welcome. In welcoming you, I should just explain that we will have to break. Hopefully, there will be a natural break at four for the vote, for which we apologise in advance. We thank you for participating this afternoon in our inquiry on rural broadband provision, and if I ask you just to introduce yourselves, for the record. Give your names and positions, please.

Tony Gates: I am Tony Gates, the Chief Executive of Northumberland National Park Authority.

Paul Hamblin: I am Paul Hamblin, I am Director of the English National Park Authorities Association.

Neil Sinden: I am Neil Sinden, I am Policy and Campaigns Director at the Campaign to Protect Rural England.

Q275 Chair: Thank you. You are extremely welcome and I am delighted to say that I do have a large chunk of the North Yorkshire Moors National Park in my constituency. Can I just ask: are you comfortable with the new rules that have been announced regarding the provision of broadband and the placing of infrastructure in National Parks?

Paul Hamblin: Perhaps I can kick off on that one. I think it needs to be made absolutely clear from the outset that the National Park Authorities really want to see the rollout of broadband and mobile telecoms and we are absolutely with the Government in terms of that intention. You asked specifically about the proposal within the Growth and Infrastructure Bill to remove the “have regard” duty, currently Clause 8 of the Bill. I have to say that we do have concerns about that Clause, principally because of the precedent that it potentially sets for future legislation in weakening the protection for National Parks and, indeed, for Areas of Outstanding Natural Beauty, too. So we look to this proposal and want to understand where it has come from and what the evidence is to support the need, because, as I said, we are very keen to see the rollout of broadband and we are not clear why this has come forward. The evidence that DCMS has published provides 20 examples of delays that the industry has provided to DCMS. None of those are within National Parks and we do not believe that any of them are in AONBs either. In contrast, National Park Authorities—we are the planning authority, so we receive applications, both prior notifications and planning applications—overwhelmingly support the proposals that come forward. Over the last five years, National Park Authorities have received 140 planning applications for mobile technology and 140 mobile broadband and only three were refused.

Q276 Chair: We did receive an assurance from the Minister responsible in his evidence to us that there would be codes of practice and there would be reassurances. Are you content with those reassurances on the basis of what you have heard?

Paul Hamblin: We have heard about the codes. Certainly, our main message to the operators would be to work with the National Park Authorities, with the planning process. We already have an accord with the mobile phone operators, and that is working very well and demonstrating how we can see new technology come forward in sensitive environments through win-win solutions. That has very much involved engaging with the industry. We have not had discussions with DCMS about the code, so we very much look forward to seeing what there is and, hopefully, to some engagement prior to proposals being published.

Neil Sinden: If I could just add to that, from a CPRE perspective, we are very concerned about the provisions in the Bill, the Clause 8 provisions, which would effectively delete the “have regard” duty in relation to this form of development. Not only are we as concerned as ENPAA that this provision is based on a lack of evidence of need, we also believe that it is a sledgehammer to deal with what may only be—but we doubt even that—a very small problem. So we are equally concerned, and also we would point to the fact that, in relation to mobile phone development, similar provisions to, if you like, ease the rollout of mobile phone coverage were dealt with in a very different way not many years ago. That did not require changes to primary legislation, but were associated, as Paul has said, with the introduction of a code of practice, and that approach has worked particularly well there. We can see no reason why it could not work well with the broadband rollout.

Tony Gates: To move on from the fact that we do not feel that Clause 8 is necessary, we still have concerns over whether our more remote rural areas will be adequately served with broadband. We have concerns that the Broadband Delivery UK scheme will not reach many parts of our National Parks. In addition, we feel that the rollout of the Defra rural broadband
scheme itself may have some problems and could be enhanced. So we have concerns as to at what stage—when—the rural areas within our National Parks will be served by broadband.

Q277 Chair: But are you prepared to take the infrastructure in your National Park?

Tony Gates: Absolutely. Not only are we prepared to take the infrastructure, but National Park Authorities have been very actively advocating working at a local level, in many cases working with communities to get communities to sign up for the broadband scheme. So we are very active advocates, and as my colleague Paul said, there is no evidence that planning restrictions within National Parks are a barrier to the rollout of broadband. In fact, as National Park Authorities, we would argue that is not where the risk to the rollout of broadband within our deep rural areas lies.

Q278 Chair: Could I just turn to the mobile phone coverage? Is there any evidence that emergency services or the reporting of an accident are hampered in National Parks through the lack of coverage?

Tony Gates: There are areas within individual National Parks where you cannot get mobile phone coverage. As National Park Authorities, we have indicated that we are willing to work with mobile phone companies to get that infrastructure in. Some National Parks, in fact, have lobbied mobile phone companies actively. I am thinking of Exmoor and the settlement of Lynton, where Exmoor National Park actively lobbied to get additional phone masts in because of the poor reception.

Q279 Chair: Are you finding that is meeting with success?

Tony Gates: In that case, it did, yes, and in other cases we have been able to demonstrate where National Park Authorities, proactively speaking with mobile telecommunication companies, have been able to find sensible solutions and, in some cases, lower cost solutions to providing infrastructure. In one case, instead of having one large mast, two smaller aerials were put in place to provide coverage in an area that was particularly difficult. So what we are saying is that National Park Authorities are very keen that this technology is delivered within National Parks, and the reason we are keen is because viable and sustainable rural communities are critical to the future of our National Parks. Those communities have shaped the Parks and will continue to shape them in future. The future of our National Parks is not secure without viable rural communities, and so we are active advocates for this technology, but we are doing it with the grain of National Park legislation, and I believe, Chair, that we have demonstrated, as National Park Authorities, that we can do that.

Q280 Chair: Do you have representations from tourism businesses and others—farms—in the National Park that they are being hampered by the lack of broadband and mobile phone coverage?

Paul Hamblin: Certainly, a number of the National Park Authorities have forums that provide opportunities for good dialogue between the National Park Authority and businesses, and, yes, we are hearing messages that they want to see the rollout of coverage. I should say that it is as much about the coverage and dealing with not-spots as it is about speed. I think a lot of the focus has been on speed, but we do need to ensure that people are not left out and businesses are not disadvantaged as well.

Neil Sinden: The only thing I would like to emphasise, if I may, is the importance of principle that Paul talked about in the beginning, which is that we do not need to sacrifice attention being paid to the value of natural beauty in our finest landscapes in order to achieve the objectives we all share of getting broadband rolled out effectively. That is a critical point that, at the very least, CPRE will be pursuing in debates on the Bill.

Q281 Ms Ritchie: Do you believe that Defra is doing enough to ensure that across Government the National Parks and Areas of Outstanding Natural Beauty are protected?

Neil Sinden: It is very difficult to say. In terms of some of the debates within Defra, I think there has been some interest recently that have been stimulated, for example, by the Government’s planning reform agenda—I am thinking back in particular to the publication of the National Planning Policy Framework last year—there was considerable concern that the objectives that we thought Defra ought to be advocating within Government about the value of the wider countryside, but also the value of our most precious landscapes, such as National Parks and AONBs, should be effectively addressed within the context of the new planning framework. I think we would say that we were pleased with some of the improvements that were made to the final framework in response to the efforts of CPRE and others and, we suspect, as a result of the efforts of Defra in terms of internal Government discussions. So, on that particular example, perhaps we can be broadly positive about the work that Defra has been doing to ensure that our finest landscapes are safeguarded.

We have concerns, however—and this brings us back to the previous point that I was making about the provisions in the Growth and Infrastructure Bill and particularly Clause 8’s proposal to disregard the “have regard” duty in relation to National Parks—that this is a signal that Defra is not winning the battles that it needs to win within Government to ensure that we get those areas effectively protected as well as the economic outcomes that we share.

Paul Hamblin: In terms of the balance sheet, if you like, we would say that the publication of the National Parks Circular provides strong, comprehensive support to National Parks and sets out very clearly the need to protect them as well as, as my colleague Tony has said, the importance of supporting their rural communities. The National Planning Policy Framework, the final document that was published, also gives the necessary protection. This was at risk in the previous draft. Just simply to reinforce what Neil said in terms of the Growth and Infrastructure Bill, there is very little legislation protecting National Parks. Quite a lot of it is through policy
announcements and one of the things about the Growth and Infrastructure Bill is that the legislation would override such policy commitments and, therefore, that does pose a potential threat.

**Tony Gates:** I would say, as Paul said, largely the balance sheet is positive. Government and the legislative basis going back to the 1949 Act is largely protective and supportive of National Parks. I think we are not realising all of the potential that National Parks have to enrich society. While there are strong relationships and recognition of National Parks within some key Government departments—Defra, CLG—there is potential within some other Government departments, for example the Department of Health and the role that National Parks can play in a healthier society, where I think we could gain even more.

**Q282 Ms Ritchie:** As a follow-up to that then, are you satisfied, first, with the level of engagement you have had with the Rural Communities Policy Unit in Defra and, second, that your concerns have been taken on board by them? I think, by and large, you are satisfied, first, with the level of engagement we have had a number of very useful meetings and direct engagement we have had a number of very useful meetings on a range of issues with staff in the unit since it has been created. We are also members of the Rural Coalition; and the Rural Coalition of organisations has a very good interface with staff at the unit and meets them fairly regularly. So, in terms of access. I think it has been encouraging, but it is important to recognise that the unit itself has a rather narrower remit than Defra as a whole in terms of, particularly, the issue of landscape protection and National Parks that we have just been talking about.

**Neil Sinden:** Your initial question related to Defra. It is still quite early days with the new unit. I think it is just a year and a half old, a bit more maybe, and it is fair to say that staffing changes in early months did create a bit of a problem in terms of engaging with the right people on the right issues. But I should say, from a CPRE perspective, through individual, direct engagement we have had a number of very useful meetings on a range of issues with staff in the unit since it has been created. We are also members of the Rural Coalition; and the Rural Coalition of organisations has a very good interface with staff at the unit and meets them fairly regularly. So, in terms of access. I think it has been encouraging, but it is important to recognise that the unit itself has a rather narrower remit than Defra as a whole in terms of, particularly, the issue of landscape protection and National Parks that we have just been talking about.

**Q283 Barry Gardiner:** Could I just ask you what, if anything, has been lost with the demise of the Rural Advocate and the work that Stuart Burgess used to do with the Commission? Do you feel that the RCPU is really qualitatively and quantitatively different from what went before and, if so, how? What has changed and how have things either improved or not?

**Neil Sinden:** I think the changes have been significant. I think the fact that now we have a unit within a Department means that we have less transparency, I would argue, about the way in which the rural evidence base is developed, articulated and applied to policy development. I think we have less independence and freedom of manoeuvre as well. I think the Rural Advocate and the Commission previously were able to investigate issues that they felt were significant and bring those issues to the attention of Government in a way that I do not think the unit is necessarily going to be easily able to do. Simply in terms of resourcing there are vastly fewer resources both in terms of staff and finance going into these rural issues through the unit. So I think there are significant differences in a number of respects.

**Q284 Barry Gardiner:** So, less independence, less resource and more central control.

**Neil Sinden:** I would say less freedom, clearly. Therefore I think it behaves organisations like CPRE, perhaps ENPA and other members of the Rural Coalition to step up to the mark and play a stronger role in terms of bringing evidence to bear on policy development and policymaking. But I think it would be wrong to pretend that the unit is in any way a replacement to what was an arm's length and independent body.

**Tony Gates:** I think the point I would emphasise would be one around capacity and visibility. Previously, there was more capacity there and the work was very visible, it was very engaging, particularly in terms of collecting evidence in rural communities, finding real case studies, bringing good practice to the fore and highlighting where things were not working. From my perspective as a National Park Chief Executive, our level of input to that type of work has dropped off and so the visibility that was there previously is not there.

**Q285 Richard Drax:** On to the Rural Statement, if I may: Mr Sinden, you said here, “Some of the recent...
misinformed attacks on the planning system from the Treasury and elsewhere show that the Government has some way to go in understanding that a healthy economy and environment go hand in hand.” That was a quote from you. If I just put this question to you first: do you think that the Rural Statement gives enough consideration to the natural environment and, if not, what would you have liked to see included?

**Neil Sinden:** I think you have quoted back to me a statement that we issued on the day of the publication of the Rural Statement, and I think it perhaps reflects on the negative rather than the positive aspects of our reaction to the Statement, so I would want to put on record that we welcome the publication of the Rural Statement. We thought that it was very good to the extent that it identified the great significance of the natural environment to those communities. This includes the opportunities that it presents in terms of sustainable rural economic development and social improvement as well as the constraints it necessarily imposes where the value and importance of protecting the natural beauty of the wider landscape is perhaps greater than the economic and social agendas that exist there. So we were concerned that the Rural Statement did not put enough emphasis on the natural environment element, and we have been, in our discussions with the unit and with Defra more widely, trying to advocate a more balanced approach to addressing the needs of rural communities, taking account of environmental issues as well.

**Q286 Richard Drax:** What specifically would you like to have seen included?

**Neil Sinden:** Well, for example, CPRE has been doing a lot of work over the past few years on the issue of local foods. We think that local food production—which makes an under-recognised contribution to the overall health of the rural economy and, indeed, the wider economy—is an issue that can enable us to secure wins for the environment, the economy and the social agenda in rural areas. This can be achieved, for example, by promoting wider access in local high streets to local food production and supporting local food producers, who themselves can improve the environment by effective landscape management and sustainable agricultural practices. That was an area that we felt could have been emphasised more in the Rural Statement, which would have brought in the natural environment agenda. We would also argue that recognition of the value of the landscape, the landscape character and the quality of the local rural environment and the extent to which that enables other businesses to thrive, particularly rural tourism businesses, needed to be given greater recognition. Of course, the Statement talked about tourism in a small way, but it did not really make the link with the quality of the natural environment being a key source for rural tourism activity.

**Paul Hamblin:** I think we were pleased to see quality of life included as one of the overarching themes in the Rural Statement, but, as Neil has set out, when the Natural Environment White Paper was published it very clearly articulated the link between sustaining a high-quality environment and the economic benefits that come from that. That is something that National Park Authorities recognise and support and want to see taken forward. The Rural Statement provided a collection of a very wide range of different measures that were being undertaken, but they were rather a statement of what is already happening. I think the critical thing, going back to the earlier comments about visibility of the new unit, will be what the additional hooks are to ensure that rural issues are fully embedded not only in Defra’s work but in other areas of Government, too.

**Q287 Richard Drax:** What would you like to see specifically included in addition maybe to Mr Sinden’s home-grown vegetables and other things?

**Paul Hamblin:** Perhaps I can pass over to my colleague. We made, and we would be happy to provide to the Committee, a submission to the Rural Economy Growth Review, which covered a number of these points.

**Tony Gates:** I think we welcome the references; there were some references to tourism within the Statement. References to National Parks tend to be limited in some cases to tourism and I think we find that frustrating, at times, from a National Park Authority perspective, because the economy within National Parks is not just linked to tourism; there is a whole land-based economy and, in some National Parks, forestry. But beyond that, there is quite a diverse economy within many of our National Parks that is based, in some cases, on specialist manufacturing and on services, and I think we would like to see, from a National Parks perspective, the potential for those areas recognised more in terms of economic growth.

**Q288 Richard Drax:** Mr Sinden, in your written evidence you said it was important for the Rural Statement to “express how its success will be measured”. Does it do this?

**Neil Sinden:** I do not think it does. I think this comes back to the point that Paul made about the Statement being more of a collection of existing measures and activities that are taking place and less of a framework for measuring progress and achievement as a result of the delivery of those measures and those initiatives. So, if I have understood your question correctly, I do not think it provides an adequate basis upon which we can measure the effectiveness or success of Government policy in relation to rural development and rural community issues.

**Q289 Richard Drax:** Just very briefly, to add on to that, what power does the Rural Statement provide for rural communities to hold the Government to account? Does it?
Paul Hamblin: I think that is a bit of a difficult question for National Park Authorities to respond to in terms of holding the Government to account. Certainly, we feel very much close to our own rural communities and accountable to them. I do not think I have more to add in terms of the Rural Statement.

Chair: I think we need to move on, if we may, and turn to affordable housing.

Q290 Neil Parish: On Exmoor, for instance, the price of a house is 14 times greater than the income, so affordable homes are very important. My question is: the Government accepts the need to protect rural exception sites in the provision of the Growth and Infrastructure Bill that allows renegotiations of Section 106 agreements. What do you consider is the minimum protection? This is particularly to the National Parks, because a lot of this renegotiation of 106 agreements is where perhaps you have 20 houses for normal sale and then you have perhaps 10 houses for affordable homes, whereas a lot of the sites, I suspect, on National Parks are very much exception sites. Perhaps you could clarify your position on that.

Paul Hamblin: The Government, as you indicated in your question, has understood the particular circumstances facing National Parks and some other areas regarding the reliance on rural exception sites. Those are absolutely critical for National Parks for the delivery of local needs—affordable housing—so we were concerned when the Growth and Infrastructure Bill brought forward the measures that it does about the renegotiation of Section 106 with the implication that, frankly, you were going to reduce the number of affordable homes. There were some other options presented, but that was the tenor of the proposals, so we are pleased that Government is seeking to introduce an amendment to exempt rural exception sites from the Bill.

If I can just broaden my answer out slightly though, the fact is, as you said, land prices—hope value—would be huge in National Parks, so it is very important to have a very clear, robust policy that ensures that, with the exception of very few sites for larger development in some National Parks, where that is possible, the vast majority is going to be delivered through rural exception sites. We do need to ensure that this approach is recognised in the range of different Government policy announcements on housing: the New Homes Bonus, the Growth and Infrastructure Bill, post the National Planning Policy Framework. Ensuring that the rural exceptions policy approach is supported by Government is going to be critical for National Parks.

Q291 Neil Parish: I do not know whether Tony Gates wants to add anything. Do you?

Tony Gates: Not really, other than a little bit of emphasis to say we feel that there are adequate provisions within the National Planning Policy Framework and, if taken forward, further clarification and guidance on that I think provides a sound basis, but certainly Clause 6 does represent a threat.

Q292 Neil Parish: That leads me on to the next question, because it is about the right to buy. The problem is if you have an exception site the landowner has let that land go at a very cheap price in order to allow this to happen. If you then have a right to buy, that house only remains affordable for the first person who buys it. After that, it goes on the open market and is lost. What is your position on right to buy in National Parks?

Paul Hamblin: Can I say that I think there is an undeniable logic in the tenor that you are pointing, ENPA does not have a position on this collectively and so we would need to canvass views from across the National Park Authorities before coming back to the Committee on that point.

Q293 Neil Parish: Will you provide that to us in writing then?

Paul Hamblin: Yes, we can do that.

Q294 Dan Rogerson: Good afternoon. My area does not have a National Park in it, but one problem that is common to many areas you are speaking about and my own is the issue of proliferation of second homes, as distinct from holiday lets; we are talking about those that are let empty. First of all, do you think the Government should be putting measures in place to deal with this issue, and what sort of measures do you think they might be?

Tony Gates: The issue of second homes varies significantly across National Parks. For example, in parts of my own National Park it is not a significant issue. In parts of other National Parks, for example some of the parishes within the Lake District, it is a significant issue. I do not want to rehearse in detail the issues that causes, but it does present challenges in terms of needing to provide the infrastructure to support those homes, while at the same time if the homes are not occupied they do not sustain the infrastructure that is needed to keep a viable rural community. This is not an easy question, and I think I have to say at the outset that the National Parks do not have a single position on this. There are various means that could be used, including looking at the Use Classes Order and looking at the classification of a primary home as opposed to a second home in use class terms, but there is no single view on this across the National Parks and the degree of the problem does vary from park to park.

Neil Sinden: I think it would be very interesting—and this is perhaps something that the Rural Communities Policy Unit could look into—to explore the effectiveness of the Council Tax provisions on second homes to see how effective the ability for housing authorities to impose higher levels of Council Tax than would normally be the case in relation to second homes has been, both in terms of managing that problem and in providing additional resources in order to perhaps meet affordable housing needs in those areas. I suspect that it may at best have had a marginal effect in terms of addressing the problems that can arise where there are high concentrations of second homes in the pockets that exist, and I think it is a serious problem in some areas.

Q295 Dan Rogerson: Both the Government and Matthew Taylor’s reviews suggest the use of Use
Class Orders; I proposed an amendment to the 2008 Planning Act to try to do that. Is this something that everybody supports?

Neil Sinden: Yes, we would support that, and I know through my work with the Affordable Rural Housing Commission it was a recommendation in that report as well a few years ago. It is not without its problems and it does need to be very carefully explored, but certainly it is something that is worth looking at.

Dan Rogerson: In principle, yes. Thank you very much.

Q296 George Eustice: My question builds on that. It is about the social housing sector or, more importantly, the new affordable rent model that the Government has talked about. I know CPRE have raised concerns about this and said that the 80% of market price could still be too high for some people. Could you just expand on that? Why do you think that is?

Neil Sinden: I think it comes back to the statistics that we heard earlier from your colleague Mr Parish about the disparity between average rural earnings and house prices. There is a huge disparity, much greater in rural areas than it is in many urban areas, and there is a concern that the 80% level will still not bring rental property within the reach of people in housing need in rural areas. That is a concern. Again, I hesitate to suggest work for others, but the unit could look at the extent to which the new affordable rent model is assisting or not those in rural housing need and to present evidence to Defra and to Ministers as to what exactly is happening. I would suggest that there may well be a case in future, once we have given the new provisions time to bed in, for some kind of rural dispensation even perhaps to fix the affordable rent at a lower level in certain circumstances where there is evidence that that should be done to meet the needs that exist.

Q297 George Eustice: Obviously, there is a specific problem with second home ownership, which tends to be the more expensive houses in parts of Cornwall and maybe Dan’s and, to a lesser extent, my experiences. But when it comes to affordable houses to rent, they are less likely to be bought by second-home owners, are they not? So it is a slightly different problem. There is a supply issue, so you can build more rural houses for local use at an affordable rent.

Neil Sinden: It is a very different issue and it is quite a complex relationship, but to the extent that high levels of second home ownership have an impact on average house prices in an area, this will, in turn, have an impact on average rental values, which will then affect the precise amount of money that people are paying under the 80% market rent rule. So I think the key problem here is the disparity between average earnings of those in rural housing need and average rural house prices. Simply applying an across-the-board percentage of 80% across England does not take account of the greater disparity that exists in rural areas between average earnings and average house prices.

Q298 Ms Ritchie: Do you support the Government’s ambitions to make it easier for existing farm buildings to be used for other purposes?

Neil Sinden: The short answer is no, we do not. We think that the provisions in the consultation paper issued by DCLG last year go far too far in terms of relaxing regulations over the reuse and redevelopment of farm buildings. That is not to say that CPRE opposes sensitive farm diversification. We certainly do not. We think it has a major contribution to make to rural economic vitality and health, but we also believe that the planning system has an essential role to play in ensuring we get sensitive farm diversification into uses that are appropriate to the rural environment and which take advantage of the opportunities that exist to secure genuinely sustainable development in those areas in order to benefit the natural environment and the wider landscape as much as the local economy. So we are strongly advocating that the Government rethinks its proposals, and we await eagerly the Department’s response to the consultation.

Tony Gates: We are also awaiting the outcome of that consultation, which I understand is due soon. The only thing I would add is that in terms of farm diversification, in National Parks we are very supportive of the principle. In fact, we have a long track record of helping deliver farm diversification. We would be very keen that future initiatives, particularly the Rural Development Programme, include adequate provision for future farm diversification, but I think we also feel there is a need to be realistic about this. There has been lots of farm diversification in many areas in many parts of our National Parks. We have very supportive planning policies for this. In many cases, some National Park Authorities provide funding support for diversification, but I think we need to be mindful and look at just how big a contribution in some cases that diversification is making to the rural economy and not over-expect from that.

Q299 Neil Parish: Hundreds of thousands of families are in overcrowded houses; rents and house prices have soared over the last decade. This is particularly to the CPRE; is not releasing more land for building a small price to pay for the benefit that may result? I do not expect you necessarily to agree with that.

Neil Sinden: Well, it depends what is meant by the phrase “releasing more land for housing”. The CPRE certainly agrees that we face a serious challenge with housing provision in this country. We are as concerned as some of the house builders are and, indeed, other housing providers are, about the relatively low levels of housing output that we have seen over recent years—historically low levels of overall housing provision that we have not seen for over 50 or 60 years. So we believe that we need to boost housing provision and to ensure that we are making enough land available to meet the nation’s housing needs, but that is not to say that we need necessarily to make more land available than is currently available through the planning system.
Q300 Chair: Could we try to keep our answers just
a little briefer, because we have an awful lot to get
through?  
Neil Sinden: Sorry. I shall stop there then.

Q301 Neil Parish: Can I just add one point? The
Planning Minister suggests that the built environment
can be more beautiful than nature. What are your
comments on that?  
Neil Sinden: We believe it can be beautiful in a
different way, but I think it is wrong to compare one
form of built beauty with natural beauty. They are
very different, and I think we need to secure both.

Neil Parish: Just to bring you back to your previous
answer to a previous question, you did not seem to
want to allow building on redundant farm building
sites. I would suggest to you there are a number of
farm sites around that would be much better
environmentally if they were built upon than they are
at the moment, and yet you seem to resist that.

Chair: Shall we ask about the greenfield sites? Would
you like to ask about greenfield sites?  
Neil Parish: Sorry, Madam Chairman, I have lost—
Chair: Shall we? Would you support more development
on greenfield sites, as opposed to building on—

Q302 Neil Parish: I would like an answer, though,
to the question that I asked, because previously you
did not seem to be very keen on development on
existing farm buildings that are redundant. I could not
quite see the logic there.

Neil Sinden: I am sorry if I gave that impression. We
support farm diversification as long as it is appropriate
and sensitive, and we recognise that there are
brownfield sites of the kind you described in rural
areas that do need to be invested in and regenerated
and reused for appropriate uses. That is our position.

Q303 Neil Parish: Okay, and then as far as the
greenfield sites are concerned?
Neil Sinden: Again, this comes back to what we mean
by releasing more greenfield land for housing. There
is a lot of greenfield land for housing in the planning
system already, enough to accommodate, depending
on whose figures you believe, well over 300,000 or
400,000 new homes. The planning system is set up
to continue to provide more land for housing where it is
demonstrated to be necessary, so we do not think there
is a huge problem at the moment; and, yes, we do
believe greenfield land needs to be used for housing,
but this needs to be carefully controlled.

Q304 Ms Ritchie: This is to those from the
National Parks: do people who live and work in
National Parks have influence over planning decisions
in their areas?  
Tony Gates: Yes, they do, because the governance
structure within National Parks allows for it. I will
just briefly remind members that the governance of
National Parks is made up of national members
appointed by the Secretary of State, locally elected
members from the district and county councils, and
also parish members from within the National Parks.
It is clear that local communities can and in fact do
influence the planning decisions within National
Parks. National Parks are the only planning authorities
in England where parish members sit on the planning
committee and so, in terms of very local input, you
could argue that there is even stronger parish-level
local input to planning in National Parks than
elsewhere.

Q305 Chair: Could I just ask about tourism? I think
last year was perhaps not the best year to choose,
because I understand in my own area a lot of bookings
in accommodation were down, but the figures show
that tourism is one of the largest sectors of the rural
economy—obviously, the hospitality industry,
accommodation, the whole toot. In the Rural
Economy Growth Review, Defra claimed that the
£25 million it was investing in rural tourism will
generate at least £110 million in new visitor spend
and create 3,000 new jobs. Do you agree with that? Do
you think that is a little over-optimistic?

Tony Gates: I think it is not unrealistic. The evidence
from various economic strategies across the country,
including the Northumberland economic strategy,
would show that tourism is the single area of the
economy with the greatest growth potential within the
county. So, certainly in terms of my own county, I
would suggest that that is not unrealistic. If we look
at the economic contribution within National Parks
and the areas influenced by National Parks, we are
talking in the region of £6 billion, which is a
significant economic impact.

Q306 Chair: In the National Parks alone?
Tony Gates: National Parks and the area influenced
by them, because not everyone who visits a National
Park will stay in the National Park, but the National
Park will have generated that visit. That is in the
region of 6% of the total contribution of tourism to
the economy of the country, so that is significant. I
think it is right that it is seen as a priority for rural
areas.

Q307 Chair: Do your findings show that there was a
shortfall last year? Was it a disappointing year?
Tony Gates: Yes, significantly. It has been covered
widely in the media, with parts of the Lake District
down 25%, and I know within my own Park footfall
was down 25% in some areas; visitor spend in some
of our visitor centres was down as much as 30%.

Q308 Chair: I know North Yorkshire did not enjoy
the best of weather last year either. Are the National
Parks looking at alternatives, like doing more indoor
things? Are you going to run into planning difficulties
there? I fought my first seat in the Lake District, and
I have always understood it is going to rain in the
Lake District, so you take your wellies and your
mackintoshes with you. But do you think that you are
going to have to rethink a strategy for tourism in that
regard?

Tony Gates: Yes, I think we would accept that has to
be part of the offer. When we do research as National
Park Authorities into why people do not visit—
because we research the people who do not visit as
well as those who do—one of the barriers is the risk.
People think a visit to a National Park in some
instances is a risky visit because if the weather is wrong when you get there, there is nothing to do. We know that is not the case, and as National Park Authorities we are looking at the infrastructure that we manage as public bodies as well as that managed by the private sector to see where we can enhance that. So, for example, in the Lake District, there are plans for complete refurbishment of their centre at Brockhole. Within Northumberland National Park, we have plans for a large landscape centre based on the Hadrian’s Wall area. Those will provide alternatives, but I think what we would not want to suggest is that the key attraction within National Parks are centres that you go to visit. The key attraction is the National Park itself and there will always be some risk with that visit, and I think we should allow people to accept that.

Q309 Barry Gardiner: Very briefly, Mr Gates, I remember when I came up to Northumberland National Park with you about five or six years ago you had a very good bus service that was able to bring people out to the Wall and so on. But of course, last year, the money for local buses was cut by 20% and I think public transport locally by 28%. What impact has that had, or do you see that having, on your capacity to bring tourists in to the National Parks?

Tony Gates: Firstly, I would say that public transport solutions are very important within National Parks, because these are National Parks. As National Park Authorities, we have very active programmes in trying to reach all sections of our society and so public transport solutions are very important. There is not strong evidence yet that we have lost significant essential services within National Parks, although I know within my own Park there are one or two routes—very important routes—that are currently under debate and under threat. Some National Parks have been very successful in securing funds through the local transport initiatives, and where they have been, we are seeing that make a real difference. So I think the point I would make to you is that it is really important that the importance of our deeper rural areas continues to be recognised within local transport schemes.

Q310 Richard Drax: Fuel poverty: what should be done to address this problem in rural areas, do you think, Mr Hamblin? Let me start with you.

Paul Hamblin: I think we first need to recognise that this is a significant problem for rural areas and particularly within National Parks, given the number of properties that are off-grid. When you are relying on diesel generators and the price is going up, this is really hitting people in their pockets, and it is a very serious challenge for many businesses. So, from National Park Authorities’ perspective, one of the things that we have been trying to do across the National Parks is work with local people on supporting renewable energy initiatives—small-scale, appropriate renewable energy initiatives that can help meet their needs and deliver not only economic and social benefits but environmental benefits, too. We look to Defra for more details on the further rollout of the Rural Community Renewable Energy Fund so that it can have a bigger impact and we would like to work with our communities on that.

Neil Sinden: I have just two points to add. In terms of new build, we need to do what we can to maintain energy performance standards, because of course we do not want to build, if you like, properties that will in the future, be very fuel inefficient. I think we need to look at that. I think we also need to look at how the Green Deal can be designed, reshaped or delivered in ways that enable some of the older properties in rural areas, such as the listed buildings, to be treated a little bit differently within the framework of the Green Deal, so that we are able to ensure sensitive adaptations and changes are made to those buildings that enable people to save fuel.

Q311 Chair: Can I just ask one last question to the National Parks? Have you found that the cost of petrol and diesel has impacted on the thought process of people visiting National Parks?

Tony Gates: What I would say, Chair, is that we do not have any strong empirical evidence of that, but our anecdotal evidence is that that is a big factor. If you take, from some of our urban centres, a journey of 45 minutes to some of the key, popular spots within our National Parks, the increase in the price of fuel has no doubt had an impact on the footfall. We are seeing it within Northumberland National Park. We are even seeing a significant drop in footfall in some of our busy areas like the Hadrian’s Wall corridor, and we have no doubt that people are factoring that in. National Parks we sell as free to you, because we do not charge people to come to National Parks. They are there for the nation and they are free, but if it is half a tank of petrol to get there and back, that is a big consideration for, say, a family whose budget is being somewhat squeezed.

Chair: Can I say, on behalf of the whole Committee, Mr Gates, Mr Hamblin, Mr Sinden, thank you very much indeed for being with us this afternoon and for taking all our questions and participating in the inquiry? Thank you very much indeed.
Examination of Witnesses

Witnesses: Councillor Roger Begy OBE, Leader of Rutland County Council and Chairman of the Rural Services Network, and Sonia Mangan, Chief Officer, Age UK South Lakeland, gave evidence.

Q312 Chair: Just while you are getting settled, welcome. We were expecting a vote at four, but I understand it has been pushed back until 4.30, so again I hope that you will accommodate us if we have to break for a short period. Hopefully, there will only be one vote, but can I just formally welcome you? Good afternoon. Thank you very much indeed for being with us today and participating in our inquiry. Would you just like to introduce yourselves for the record and to give your names and positions?

Sonia Mangan: I am Sonia Mangan. I am the Chief Officer, Age UK South Lakeland, which is a rural part of Cumbria, as you know. As you can hear, I have a small problem with my voice at the moment, so my apologies.

Chair: No problem at all. You are very welcome.

Cllr Begy: I am Roger Begy. I am the Chair of the Rural Services Network, SPARSE, and I am also Leader of Rutland County Council.

Q313 Chair: I think you might have a busy day today.

Cllr Begy: Yes.

Q314 Chair: Indeed. Well, we are very grateful to you for being with us, both of you. Thank you. We are going to come to local government funding, but, at the outset, would you say that there is a great difference in the cost of delivering public services in terms of education, waste collection and disposal, ambulance service—the whole toot—between rural areas and urban areas given the rurality and sparsity of the districts that you represent?

Sonia Mangan: I am working with older adults in South Lakeland, which is a rural part of Cumbria, as you know. So, in terms of things like waste disposal, those are not my greatest areas of expertise. I would be thinking more about social care issues and the cost of transport and whether it is more expensive to deliver services in rural communities. Certainly, from a sector perspective as well as a local authority perspective, it absolutely is.

Cllr Begy: We have done quite a lot of work on this. We worked with the Settlement Working Group over this last year. We did two detailed studies, one based around Tiverton and one in Northumbria, and we were able to show in detailed work on waste collection that it was almost double the cost to collect a bin in a rural area as in an urban area. That is not rocket science, but if you take the whole area of dealing with social care in a rural area, my own particular area is 23% over the age of 65; we are forecasting it going to 28%. First, it is getting the staff, and, second, getting the calls etc. because it is not a question of going down the street; it is a question of going round. So we have plenty of costs on those particular areas, and we have presented those to the Settlement Working Group of DCLG, who are looking at the funding formula.

Q315 Chair: Right. Presumably, then, to make up any shortfall you will have to dig into your reserves.

Cllr Begy: Those who have reserves, but reserves are there for a number of reasons, and I had the great pleasure of crossing swords with John Humphrys on this the other day at seven o’clock in the morning, which is not my best time. That is going to help us. We all have major problems over the next three to five years. This is a one-off thing, and we have to phase our cuts in, phase our savings in, and those will help us. What it will not do, if we do not have some of those reserves, is put money into rural broadband, because the funding from BDUK will not get you 90% in a sparsely populated rural area. It is getting economic growth to go with that and to go with housing development. So if you do not have reserves and you do not have money to put in those, you are not going to deliver those critical areas before you start getting to the basics.

Q316 Dan Rogerson: A couple of issues. In terms of the funding formula, understandably, SPARSE has done excellent work in focusing on the sparsity element of the formula and the rurality. I understand, however, that there is also built into the formula a population density measure—which I think is hard to justify—which seems to tip the seesaw the other way, back towards the urban areas. Is this something that you are challenging?

Cllr Begy: Very strongly at this point in time and possibly you can help us in this, because DCLG have defined “rural” as being all shire districts, which includes Oxford, Mansfield, places such as that, as opposed to Defra, who have the Rural-80, Rural-50, which recognises rurality as opposed to the figures they have done. I think this has led to some unintended consequences in the latest figures.

Q317 Chair: We will go where the evidence takes us, so whatever you can share with us today is very important.

Cllr Begy: We would be delighted to give you that evidence.

Dan Rogerson: Just to mention the dreaded word of “damping”, what is your view on what has happened between the summer and Christmas in terms of where you thought things were going to come out?

Q318 Chair: I am coming on to that, if I may. Can I just turn to the local government settlement that was announced before Christmas? Do you believe that the premium that we are told by DCLG is in the settlement provision sufficiently for rural areas?

Cllr Begy: The quick answer is no. We did a great deal of work, as I said, with the Settlement Working Group, who identified the cost and the changes that should be made to the formula. We had the dreaded word “damping” and that reduced those by about three quarters, and probably we would have swallowed hard and accepted that, but we did not even get that. That is why we have got quite annoyed and have a series of meetings with ministers etc. on this very subject.

Sonia Mangan: With regard to the settlement, I cannot comment directly on the settlement, but what I can comment on is the growth in the older population and the cost of that. So it is the double
impact of the reduction in spend and the growth in the population, and you are quite right: it is not always about whether you can afford to pay for home care. It is sometimes about whether home carers are available, whether the quality of the home carers is there and the cost for this ends up being more and more by the individual. I think that is the concern, because there is only so far that we can go with local authority charging before people end up not having service and then end up in hospital or elsewhere.

Q319 Chair: Just on this point, Mr Begy, how significant is the settlement and what proportion of your financing do you get from the settlement?

Cllr Begy: I think that if we swallow hard we may well be able to cover this year with more focus and more specialisation of our services.

Q320 Chair: Are you ring-fencing the vulnerable—so, for example, delivery of care to the elderly and the young?

Cllr Begy: We are most certainly focusing on that. That is such an important element of it, and the voluntary sector is such an important element within our particular community, but if this continues next year, that is when the real bone is going to be cut into and people really will start suffering. I am trying to be fair to the Government and the Department, but we really do need something to be done, otherwise there are going to be serious implications. Whether it be rural bus services, rural isolation, rural housing, rural growth, these things are really going to come under serious pressure.

Q321 Richard Drax: Good afternoon to you both. Ms Mangan, I think you have already touched on this: what challenge does an ageing population present to a rural local authority, particularly the changing demographics and the effect they have on service providers?

Sonia Mangan: The wonderful thing about getting old is that it is not a disease; it is something chronologically that happens to us all. But I think what we know about rural communities is that people move into and move from somewhere. They tend not to be supported, therefore, with family and friends, especially when one of them experiences a spousal death and they live longer. So it is wonderful—it is a celebration that people live well and long in rural communities. Unfortunately, the downside of that is that the older we get, the more likely we are to experience multiples of things. So you might have arthritis, you might no longer have somebody living close by, and so a cut, which may be a cut of a service that is no longer deemed to be critical and substantial, like a community meals service, may be something that you think is not as grim as a cut for home care to get out of bed in the morning, but it might be that thing that is sustaining somebody in their own home. I think the challenge for us is trying to identify people who are in those risk areas and delivering services for them. If I had a group of people behind me just now from Broughton in South Lakeland, which is a nice place—let us not go for Windermere—they would talk about transport. They would talk about affordable housing for younger people. They would talk about their concerns about being pitched inter-generationally with younger people and the priorities around that. They would talk about access to health services, and they would talk about sustaining their communities. They would not talk about social isolation, because they would be here today, so the chances are they would not be socially isolated.

Q322 Chair: We are coming on to that. Could I ask Mr Begy to comment?

Cllr Begy: It is very, very difficult, but in being rural, having villages, having communities, we have to look at things in a different way. We have a thing called Community Spirit and we have a number of villages that have signed up to that. They will do things like rural transport for people. They will help others in the village, and we have to develop new ways of doing this, because otherwise with that number of people in the area we will not be able to afford it and we will not be able to find the staffing, possibly, to be able to deliver those services.

Q323 Richard Drax: Are local authorities doing enough to support the work of the third sector?

Cllr Begy: I think they are vital. It is the last sector that I would cut, because I get such damn good value from it. As a business person, the return on investment I get from a focused third sector really does help me, and we would not survive in rural areas without the official third sector and, as I just said, the unofficial third sector that you tend to get in real rural areas with villages and market towns.

Sonia Mangan: It is the definition of “support”. I think there are different levels of support. We can all have commitments to charitable endeavour and we can have commitments to neighbourhood endeavour, but does that relate to anything reasonable, meaningful and appropriate? I think we are, like many, many other providers and support infrastructure organisations, challenged about the fact that there is a watermark on everything—policies, strategies and programmes—that says there is less money. So that support is something we still have to work with, locally and nationally, to remind people that voluntary endeavour does not come free and somebody needs to put the money in the pot somewhere along the line. I do not think there is an engagement as great as what there could be, but I think there is a change, certainly with the kinds of things that Roger has just mentioned in terms of community spirit and in terms of recognising that organisations need neighbourhood support, whoever they are—whether they are public or voluntary—but certainly we could do more.

Q324 Richard Drax: Just quickly, I have one supplementary, from experience in my own constituency. Your charity looked at various things that the elderly were having problems with. One was the public loos and the closure of them by councils. Now, two million people apparently cannot be more than five minutes from a loo. Is it a big issue amongst the elderly across the country that these loos are closing and therefore they are not going out?
Sonia Mangan: The biggest issue is not being able to have access to transport.

Chair: We come on to transport.

Sonia Mangan: Yes, but I am saying people ask me about that. That is not the biggest issue.

Q325 Chair: Mr Begy, did you want to add to that?
Cllr Begy: Really it was looking forward, looking together with the third sector and not necessarily doing things the same way. We are not going to survive doing it exactly the same way, having day centres, etc. etc. It is going to mean we need to work smarter, and it is how we work together to make the bucks that we have available more effective.

Q326 Chair: Just before we move to healthcare, can I ask a question? There seems to be a move in many county councils to private providers for residential care homes. I understand that county councils have traditionally topped up fees, but if there is going to be a squeeze on local authority funding, will they still be able to do so? I am slightly worried that it may spill over on to the healthcare sector if people are not going to be able to afford to stay in residential care homes with this euphemistic “extra care”.

Cllr Begy: All our care homes are now private sector in Rutland, and it is the negotiations that you do with the care home owners and the number of block beds that you buy over a 10-year period and the negotiations that you take there that do it. We do not top up. We have a set fee. Our sector is working very well and it worries me that we have become a very attractive place to come to, so we are getting more and more people from the South East who find it very easy to sell a three-bedroom house in London for a million and then buy a five-bedroom house for £500,000 in a rural area and then suddenly, four or five years later, oh dear, we have all these services that are required for them. But no, I think if you manage a business, if you look 10 years ahead, etc, I do not think that is an area that should knock on. We are all trying ever so hard to make sure that people do not go into care homes and, in fact, my care home bill overall is going down. My bill for direct services and other such areas and other care areas is going up enormously, but care homes is not the area that people are going into.

Q327 Chair: Just to conclude, my only concern is that there have been instances of care homes—I think it was Southern Cross—defaulting. I am slightly concerned who stands in where local authorities have no beds anymore.

Cllr Begy: We had a scare with Southern Cross and some of our people just outside of the county, but again we worked with our partners on this and I was able to sleep at night.

Sonia Mangan: Can I just add a supplementary to that, because Cumbria County Council is one of the few local authorities that still do run residential care? They would dearly love not to be, and I notice that in the written evidence that they gave they did not make reference to it, but they now have 31 residential homes. I think they had 33; two have been closed as a result of changes to the way services are being delivered. A nursing home has 24–7 qualified nurse-practitioner facility and is for people with high nursing needs; a residential home is supported communal living provided by paid and qualified carers. Most people want to stay in their own homes rather than live communally, hence why councils and other providers wish to move away from residential care. It is a real challenge in terms of whether that is the best way of spending money, and if you talk to older people, if we think about what we want for ourselves, we want to stay in our own home and when we need care we invariably are going to need nursing home care and not residential care. But when you try to make any change within that, as Cumbria County Council have done, communities get out onto the streets and talk about it, because if you are talking about very small rural communities, the home is likely to be providing local employment; change or closure could impact the local economy, and it is something that is part of the community. So to change that is quite difficult, so it is the reverse and I am sure Cumbria County Council would be happy to follow that up if that is what you would want.

Q328 Neil Parish: I want to move now to the health funding formula and this is to Ms Mangan. Should age-related needs be given extra weight in the health funding formula, taking account of the older demography of rural areas? Is this something that Defra should be pushing, given their rural proof remit? In my own constituency the population in Devon is getting older; how do we fund this?

Sonia Mangan: Absolutely, and if you think about it, I do not know how many hospitals you have in Devon, but I know in Cumbria if we just went down to one it would be absolutely impossible. But if you look at the logistics and the population area, that is what it would warrant. So there needs to be that argument that rural communities in terms of health, because of the increase in the ageing population, because of the access issue, needs greater contribution in health and I am sure that most rural CCGs and health trusts would support that.

If you look at the population of an inpatient or GP surgery, we are talking about older people. We are talking about older people with undiagnosed depression, older people with non-fracture falls who are in hospital for 36 hours or 72 hours. All of this costs money and that is something that is extra cost when you have a rural community.

Cllr Begy: I am focusing on public health because that is coming across to local government in April. I think the first thing they could do is get some recent numbers. Some of the needs analysis is based on 2001. Populations have changed quite dramatically in this 10 or 11 years. Yes, it needs to be there, but please can you use some reasonably recent numbers?

Q329 Neil Parish: You raised the point earlier that people are selling houses in the South East, they are moving north, they are moving west and very often when they do that they are getting older and so therefore the demographics of the population are automatically moving. So you are saying quite clearly
that the statistics being used at the moment are not up to date enough. I think that needs to be recorded.

Cllr Begy: They are 2001.

Q330 Mrs Glindon: What does the Government need to do to ensure that pockets of deprivation in otherwise affluent rural areas are recognised and receive the support they require?

Cllr Begy: They need to recognise that there is deprivation outside of urban areas. At the moment, if you have an argument about this sort of thing with people, “Oh, you are going to get less money because you have less deprivation.” No, we have less major pockets, identifiable pockets of deprivation. We have that same deprivation. We once rang the Department for Education—and I am sorry this is being recorded, but it is true—and said we had a problem and they said, “Do not worry. Put the Council Tax up. Your population can afford it.” The person who lives and works in Rutland earns £17,000 a year. The fact that we have a lot of people who do not work in Rutland, who earn £50,000 to £100,000 totally skews the figures and really deprivation is there. How we tackle that rural deprivation is an important one. It needs to be identified.

Sonia Mangan: I think when you see multiple deprivation and you have low density populations, it is like a non-argument, really—is it not?—because you are not comparing apples with apples. What you are talking about is pockets, but you can talk about pockets within the same village, within the same small community and you really are then talking about people who are hard to reach and very isolated and isolated within that deprivation. If you think about something like fuel poverty, which is a really good example for older people, you are talking about people who may be off gas. You are talking about people who are living in properties that are old and so therefore cannot have cavity wall insulation. Their deprivation issues are different from when you are looking at it in a wider urban area. It is that pocket analysis that is not taken into account sometimes.

Q331 Neil Parish: Should Defra be doing this? Who should be doing it. Finding a way of working out where these—because we all know they are there, do we not?

Cllr Begy: Can we work together with Defra and DCLG on making sure that we know where they are; we have the map. You do not have to spend very much money to be able to map it very easily. We have all those numbers. Let us work together and try to recognise it.

Q332 Dan Rogerson: What message do you think the public sector could usefully put in place to deal with that as a problem?

Sonia Mangan: What measures could the public sector put into it? I think, first of all, is recognising that it exists in the first place in terms of it is not just about people who are necessarily old and alone. It could be people who are isolated but are still engaging with things. It could be people who have, as I say, undiagnosed depression. In terms of the public sector, we do a lot of work with GPs. We have village agents in South Lakeland who are employed 10 hours a week to work in a community of about 2,500 population. About a third of those will be older adults. Those agents are like a conduit for older people. We do a lot of work with the usual groups, like the over-60s groups. We do a lot of work with GP surgeries. The reason why we do that is because they are ways of engaging with those people who are themselves isolated. You have to have a trigger to engage people in the first place and so what the public sector could do is take some of that learning and that work that is currently happening—like you were talking about aligning with the third sector—and say what the issues are in this area and how we work on that.

Cllr Begy: The public sector is never going to be able to tackle all of this without the help of the third sector. It is getting into the community and it is working with the third sector that will identify the solutions for it, because they will be different in every case.

Sonia Mangan: Yes, and I think that is a big issue.

Q333 Dan Rogerson: What you were saying there about getting to groups, though, I guess the issue in those areas is that rural areas, is there may be people who cannot get to groups, the groups do not exist because the population density is low—your over-60s group or whatever. So is there work going on to try to create these kinds of groups? Well, in fact, I know, thanks to the work that your organisation has done on loneliness and so on in Cornwall, for example, that there have been some attempts to set up new groups.

Sonia Mangan: Yes. It is identifying the engagement routes that people will have, so it is like almost doing a map of what people do, who goes in to those individuals. So it could be that your target group in one particular area could be domiciliary carers. Carers who are going in to people three times a day, but not recognising that they could be going elsewhere and trying to think of different ways of doing that. There is always a way. It is just about sometimes whether there is the will and whether there is the energy needed to have that endeavours really.

Q334 Dan Rogerson: The sustainability of the community presumably is important as well.

Cllr Begy: One of the key areas that I think we all have to look at is on-demand transport for rural areas.

Sonia Mangan: Absolutely.

Cllr Begy: It is one of the areas we are beginning to invest more in. We have done a test on it. What that does is it takes away that psychological barrier: yes, I can pick up the phone, I can go from point A to point B and see my friend for coffee or I can go to this area. If you do not have that, the isolation—we cannot afford the rural bus services on a regular basis and I am sure you will come to that.

Chair: We are coming on to that.

Q335 Neil Parish: Talking about the big society in the community, one benefit of the elderly these days is that a lot of them are very active and they stay active longer. What can the Government do and what can we do? A lot of them are already helping the communities, but what can we do more to get them to
help and provide even more in rural areas? What more can we do to help them?

Sonia Mangan: My organisation is in South Lakeland, which is only 35 miles wide. We have 275 volunteers; 75% of them will be over the age of 60. You are absolutely right: older people step forward to volunteer to help other older people and they do that because it gives them a sense of purpose, it gives them a sense of value, a sense of worth. It enables them to stay active themselves. There is a lot of work that is going on with health and wellbeing boards on trying to keep that connectivity and trying to work on different ways of doing that. I think the first thing we can all do is value that, but value it and recognise that that is what happens within communities.

Cllr Begy: If it was not for people over the age of 60, I do not think I would have a very large council.

Chair: No, absolutely.

Sonia Mangan: It is a gain, not all parish councils are like The Vicar of Dibley and it is getting them engaged and getting them involved and them harnessing people who say, “Yes, okay, I will do that for you.” Get it from county hall or somewhere like that and they will probably ignore it, but if you get local parishes working together, working with their local community, I think there is an untapped resource there that could be used.

Neill Parish: And it is how we stimulate those older people, to give them perhaps a little bit of money to help with rural transport. I think that is something.

Q336 Chair: If I could turn to rural transport, could I just ask how important you think community transport schemes are to rural areas and do you think they are sufficiently well funded going forward, Mr Begy?

Cllr Begy: No, it is not, but I think we are all trying to get together. It is quite interesting: people do not recognise county boundaries or district boundaries, so working together and pooling our resources, we are able to extend our on-demand. But sometimes, I regret to say, the concessionary fare can be a cost rather than a benefit. We have one classic example in North Norfolk, where there is one bus going from one end to the other for people to have an ice cream on the prom full of people on concessionary fare, and they have had to put on another bus behind to take the people who want to go there for normal purposes. So it is a mixed blessing.

Sonia Mangan: I think everybody always has a story about concessionary fares. I think it is a bit like a story about disabled parking charges or something: it is one of those things that trots out. My concern is that that, at the moment, is the only solution. What we need always is a menu of options for rural communities and flexibility to be able to tailor—so on-demand transport, looking back again at voucher schemes. That was just such an unpopular move locally.

Q337 Chair: Can I float an idea to you, because obviously it is in the papers that concessions may go. In my own area I think people said that they would be prepared, rather than lose the concession completely, to pay a small annual sum. Is this something that you would look at pioneering?

Cllr Begy: I think we all have to look at all those options, and certainly the Thirsk area is one of the areas that I know that we are looking at, as SPARSE Rural Services Network, as one of the examples of what we can do. I think the other one is we have the voluntary car sector as well and the hospital sector would cost a lot more if it was not for voluntary car schemes that enable people to make doctor’s surgeries and hospital appointments.

Q338 Chair: And there is no indication that that is likely to be in jeopardy because of the high cost of fuel?

Cllr Begy: I do not think there is this year, but I think once we get to next year and if those sorts of cuts come in, those are the sorts of things that people are going to find very difficult to continue to fund.

Sonia Mangan: I asked one of the village agents—which is why I was talking about Broughton before—to give me an example about how transport impacts. She talked about a carer who had moved back to Broughton to look after her father who has dementia. She was saying that because the Carers Association cannot find volunteers in that area to be able to sit with her father, in order to do that she needs to pay £50 to be able to go shopping and she has to get a taxi and she has to pay for a carer.

Q339 Chair: So there are difficulties for people.

Sonia Mangan: Yes, yes.

Q340 Mrs Glindon: This is probably specifically to you, Councillor. How big a barrier is lack of transport to improving opportunities for education, employment and training for young people in rural areas? What do you think the Government might realistically do to resolve the issue?

Cllr Begy: If I can split that into two, one is transport relating to education. If we take somewhere like Lincolnshire, where there are vast distances between where people can get their local education, one of the biggest barriers that we have found in Lincolnshire is that people will sign up at 16 to go to a post-16 college. They will manage it for the first two or three months. They are then stuck somewhere in a town in the middle of November waiting two hours for a bus to go back and they drop out. How do we do it, whether we use online, the development of local resources, the development of apprenticeships and getting people in to help them in those sorts of areas I think will be one of them.

I think getting people to work is a vital thing. We have a grant from the Department for Transport and are putting on a bus to take people from higher unemployment areas to our own employers, because if not, we are going to lose the employers, but that then gets the unemployment down in certain areas. There are ways it can be done, but it is finding the right pots of money to be able to do that. The education one is an extremely important one. We have too many people, 16-year olds and older, not in employment, education and training. I think the 17 will help part of that, then the 18, but it is how we bring it to them.
Sonia Mangan: For me, as I have said before, my concern is the ageing population, but in terms of younger people, older people need capacity and services within their area and so they do need people to be in employment and they do need people to be in education, otherwise the whole community starts breaking down. The concern for older people is that this is an issue where they get pitched against younger people and that is a real dilemma for them. It is like affordable housing: if it is affordable housing or if it is extra care housing. What older people do not want is to have that inter-generational pitch—by that I mean thinking about one generation at the expense of the other.

Q341 Richard Drax: What can be done to address fuel poverty in rural areas, do you think, Councillor?

Cllr Begy: As was said earlier, it is an extremely important rural issue: something like 25% in real rural areas. We worked very closely with an organisation called Change Agents, who used to be StudentForce and we have won the East Midlands and a national thing on fuel poverty. That is getting people into people’s homes, getting them to be able to go into the isolated homes of those people who do not recognise the waste that they are using in terms of their energy. We really have saved people significant sums of money. We did 300 houses last year. We hope by the end of next year to have visited every vulnerable house in the whole of our area, done a survey and worked with people.

With the Rural Services Network, we are working with Calor, because that is an area for people who are not on gas, which is often the issue in rural areas and we are working with them, again, on the same sort of thing. I think one of the pluses that is coming up is some of the insulation you can now put on solid walls. There are things that can be done, but the people who are suffering the poverty do not necessarily know they are available and it is how you get them to and how you get them to be aware that it is not help; it is assistance.

Sonia Mangan: It is the same issue as well we are talking about in terms of social isolation. You are absolutely right: there is help, there is support, there is activity in terms of making sure that people have the money to be able to pay for the fuel, that they understand how to stay warm, they understand what is available. It is just getting to those households that really need it, so it is the same kind of challenge. That is why things like our village agent programmes work really well, because you have somebody very, very local who is known within that community, who is able to identify even the housing stock within that community where they know they would have issues. There are solutions; it is just making sure that they get to the right people.

Q342 Richard Drax: In Portland, in my constituency, they have a new housing development and they have this new wood chip—it is wood pellet—which feeds all these houses, about 70 homes. Has that ever been looked at so far as investing in those in these remote rural communities, so you have one machine which you plug into a lorry and it provides cheap energy?

Cllr Begy: We have it in a couple of schools, because you can grow the stuff fairly quickly, etc. So far, they have worked very well in bigger schemes, but in terms of small schemes and individual things it does not work. If you wanted to do a village hall on that, it works quite well. I am not sure how you get them all plugged in to what would be community heat and power in a city.

Q343 Neil Parish: To Age UK particularly, do you have any concerns about the restructure of the Post Office network? Will it adversely affect rural communities, in particular older residents? They are moving now to the sort of Post Office Local type system restructuring. How have you found that?

Sonia Mangan: I think with Post Office restructuring we are still having the fallout from where we have been, really, and the consequences of that. There have been lots of really innovative solutions in local communities in terms of working with pubs—Pub is the Hub networks and things like that. My activity locally has been more focused now on getting people digitally included, so that they can access things that they may not be able to access anymore within their communities through digital methods. At the same time, they save money as well.

Chair: Order, order. We stand adjourned. There are potentially two votes, so I would ask colleagues to be back, if possible, if there are two votes, as close to 16.52 as we can make it. If you can excuse us; we will be back as quickly as we can.

Sitting suspended for a Division in the House.

On resuming—

Chair: If we could reconvene. Thank you very much for your understanding. I am going to, if I may, turn to housing.

Q344 Ms Ritchie: Good afternoon. You are very welcome. This is a question to both of you: to what extent is the lack of suitable accommodation—for example, for older people looking to downsize or younger people wishing to move out of home—a problem in rural communities and, in your view, is it being addressed?

Sonia Mangan: It gets back to the discussion we were talking about previously about what it is that people need from their accommodation and whether their accommodation is supported accommodation and where it is they want to be. So if they want to continue living in the community that they have lived in maybe for the last 15, 20 years or even all their lives, then certainly it is a challenge if they want to downsize. There is some work going on around under-occupancy, as you know, and in Eden they have done some work around home share to try to begin to address that issue, where they are working with younger and older people in terms of sharing accommodation. It is a challenge, but it is a way of addressing that.

In terms of needs-based accommodation for older adults, if you are going to move away from residential care then you need some kind of supported accommodation and is there going to be enough of
that? There needs to be more, but it needs to be in the right places.

Cllr Begy: Two-thirds of our social housing is occupied by older people and thank goodness they are not being affected by the change in Council Tax benefit, because quite often this is the family home where one of the partners has died, etc.

I think the big issue we are going to face is that we have not been building one-bedroom houses or one-bedroom flats. If you talk to a registered social landlord, they say it is almost the same cost for doing a two-bedroom rather than a one-bedroom. I think one of the big issues that we councils are going to face over the next two or three years is people are going to say, “I want to come down from three bedrooms to two bedrooms,” and whether we have enough of those; and certainly we will not have enough one-bedroom.

I think the other vital thing in rural areas, which you were talking about earlier, is exception sites and having those in villages and maintaining village life by enabling young people to be able to stay in their community.

Q345 Ms Ritchie: Thank you. And then, to what extent are you concerned about the impact of housing benefit reforms in terms of under-occupancy? I suppose that is the bedroom tax.

Cllr Begy: It is keeping me awake. I can see how to do it in three years; I cannot see how I can do it from April. We have to find ways of doing this, but it is not going to be easy. I think that potentially the direction is right; it is how long it will take us to get there to be able to do it.

Sonia Mangan: I am more concerned about the lack of benefit take-up generally with older adults. I think there is a fear and then there is misinformation for them as individuals around housing benefit changes, but my greater concern is the lack of benefit take-up and the lack of good information to be able to support people to access what they are entitled to in the first place.

Q346 Chair: Mr Begy, could I take you back to something you said, I think, at the start of the evidence session, about there being two definitions of rural areas, one from one Department—DCLG—and the other from Defra? Do you think it is confusing to have two definitions and would it be helpful to have a clear understanding if we had a single definition?

Cllr Begy: I am going to get into trouble again, but I suppose that is the bedroom tax.

Q347 Chair: It is the first time we have heard...?

Cllr Begy: Of districts just being called, “Well that is rural!” I believe that Defra have done a very good job in those definitions and I think one or two people at the moment will be looking at that already.

Q348 Chair: May I ask, as part of your representations that you are currently making to the Government on behalf of rural areas, are you making that point?

Cllr Begy: We are making that point extremely strongly to the Minister and I have to say full marks to the Minister. Brandon Lewis is being extremely helpful, making himself really available and talking to people. I think he genuinely understands the issue and will be doing what he can.

Q349 Chair: Can I just ask as well, historically under previous Conservative Governments we have had the two criteria of rurality and sparsity setting the criteria for funding. Are you slightly surprised that perhaps we are not relying as much on those two criteria with this?

Cllr Begy: It is a very difficult subject and I do not envy anybody trying to do it. The very first question you asked, Adam Chairman, was about the cost of doing business, the cost of collection, the cost of care, etc, and recognising that and recognising that no matter what you do you cannot do anything about it. You can be slightly more efficient, but not massively more efficient. I think that is the key area, recognising that. The Working Group identified that it made a significant difference to rural areas. It made just 1% difference to urban areas. If I take my particular county as far as the funding is concerned—I have it in front of me—we get, on average per head, with the change in the formula, we were going to get £221, compared to Leicester City at £566 per head. That was the funding. With damping that came down to £192, and with the settlement it has come below that.

We are playing semantics with spending power and there is some work available for the Committee on the difference between “spending power” and “per head”, but the simple fact is we have ended up with less and all that work that recognised it and DCLG civil servants recognising it has just gone down the pan at the moment.

Q350 Neil Parish: Going back to the Chairman’s previous question about treating all district councils as rural, you talked earlier in your evidence about the 80 and the 50, I take it these are the ones that are the most rural. Could you just explain what you meant by that?

Cllr Begy: Yes: 80% of the population is rural and 50% of the population is rural. The next one is 25% of the population is rural. Take Barnsley, which famously has a real rural hinterland, but it is not 50% of the hinterland.

Q351 Neil Parish: So there are ways of differentiating between the district councils.

Cllr Begy: It has been done very ably by Defra and very clearly defined.

Neil Parish: But not by DCLG, right, thank you.

Q352 Chair: Could I ask you, Sonia Mangan, what is the definition of “extra care”? My understanding is that you pay for basic residential care and then if you need anything extra you have to pay more.

Sonia Mangan: No. Sorry, with respect, extra care housing is where you are living in supported accommodation. So you have your own front door; you may have your own kitchen facilities. Importantly, you have warden-controlled access, so
you have access to some kind of call system and the extra bit of it would be that you have access to carers within that building. You would not be having access to them all the time, just when you needed, but they are within the building; they are around. You do not need as many of them as you would if it was a residential facility. So you are living on your own independently, effectively, but within an environment where you are supported. That is extra care.

Q353 Chair: It is really sheltered accommodation.
Sonia Mangan: It is, but the reason why they call it “extra” is it is more than sheltered accommodation. The carer bit is more than sheltered.

Q354 Chair: But you are paying more for the care, if you need it.
Sonia Mangan: Well, in terms of who pays, that is interesting. Working out who pays for community care, whatever the circumstances, is like walking through treacle. It depends on the individual’s circumstances. The individual themselves might say, “I am a self-funder. I have enough assets to be able to fund my own care, so I am making a choice to go into this place and I am going to pay for it.” They may be assessed according to a social work assessment and they might find that they have a set of needs and then what follows from that is a financial assessment. That financial assessment then works out how much you are going to contribute. The council decide what they are going to charge for within that and there are national criteria, but there are also local criteria, which is why, when you are advocating for older people, which is what we do a lot of, it is very, very difficult, because the circumstances and the rules are very, very different. This is why you get people talking about postcode lotteries and things like that. We would ask for universal within that.

Q355 Chair: If we are going to be in a situation in a particular county where there are no local authority care homes, which has already happened in some, and you are left with a situation of extra care but they do not have the same number of beds as the local authority residential care home would have had, where do the other people go?
Sonia Mangan: What they would be saying is that there would be a proportion of people maybe that were—I do not know whether you do this, but there is like a capacity plan. Within the joint strategic needs assessment they will have identified who is in service now and project who needs to be in service and they will have worked out the capacity of that particular authority to what it is that they can deliver. So they would then be predicting things like how many hours home care they need, how many beds they need, how many extra care homes. So I might criticise it locally and I might challenge it, but there is an element of planning behind it.

Q356 Chair: One last question, if I may. My understanding is that the current financial settlement looks at deprivation, particularly urban deprivation; it does not necessarily recognise rural deprivation. The Rural Coalition is calling for, if you like, rurality and also the elderly as being recognised. Are you making any progress in those representations?
Clr Begy: We are making progress but slow progress, and I think it is because it is complicated. It is trying to simplify it down so that we are all talking about the same thing. The English language is wonderful; you can say one word and it means one thing to one person and one to another. The way you have to do your planning is you have to have a certain amount of spot beds, so that you never reach that situation where they cannot go. The new trend is to build bungalows and get people in there at 55 who are fit and who then progress through to slightly higher care and then with a care home at the end of it.

Q357 Chair: I am familiar with the Joseph Rowntree model of Hartrigg Oaks, because that was in the Vale of York constituency, which I represented. In fact, I was the only MP to represent it, because it exists no more. But that was hugely expensive and took your life savings.
Sonia Mangan: I am from the Lake District National Park planning area where planning of any housing is a challenge and land is really, really expensive, so, for the county, I think you are right. There are lots and lots of strands to this, so you have to have them all together in the mix. It is not just about ageing; it is not just about rural sparcity. It is about trying to bring it all together and seeking the advice, support, engagement of those people who currently live in communities about what it is that they want. Before, Roger, you referred to neighbourhood support and community spirit. You can only do that if you have them.

Q358 Chair: A yes/no answer: do you think Defra should have a policy of reducing rural deprivation?
Sonia Mangan: Yes.
Clr Begy: Absolutely.
Chair: Thank you both very much indeed and for putting up with our adjournment for the vote. We are very grateful to you, Sonia Mangan and Roger Begy, for being with us and making a tremendous contribution to our inquiry. Thank you very much indeed.
Clr Begy: Thank you for the invitation.
Sonia Mangan: Thank you for inviting us.
Witness: Keith Halstead, Chief Executive, Community Transport Association, gave evidence.

Q359 Chair: Good afternoon and welcome. Thank you very much indeed for being with us and contributing to our inquiry into rural communities. May I invite you, just for the record, to give your name and position?

Keith Halstead: Yes. Keith Halstead, Chief Executive, Community Transport Association U.K. I am very pleased to be invited and I hope I can help the Committee in its deliberations.

Q360 Chair: I am sure you will. Do you want to just give us an indication of who your members are?

Keith Halstead: Yes. We have nearly 1,600 member organisations. They are all organisations that are civil society bodies. That is, voluntary community groups, charities, mutuals, co-operatives and social enterprises providing local transport services in their communities. Our membership is very mixed: it ranges from a large number of totally voluntary organisations, with no paid staff, often providing community car schemes using their own cars, at one end of the scale, through to much larger social enterprises, one of which delivers red bus routes outside here in London, and with a big contribution to social purpose. It is really like a curve. You have a lot of voluntary and community groups and then some that have paid staff, just a small number, and operate a smaller range of services, going up to larger organisations with quite significant turnovers.

Q361 Chair: What is the opinion of your members of the Rural Statement?

Keith Halstead: Generally, few may have access to it, because of the nature of their work. Overall, while the Rural Statement notes the investment by the Department for Transport in community transport, we were probably a little bit disappointed that it did not go further, particularly as the Rural Statement was launched the day before we launched our State of the Sector report for England on community transport, by the Rural Affairs and Transport Ministers. That probably was a very good example of both Government departments working together and working with a civil society organisation, and embracing some of the new work by the Rural Communities Policy Unit at Defra, which has been very supportive and contributed time and funding to the production of that report. I thought there was a bit of a missed opportunity there. Perhaps more substantially though, the Rural Statement did not seem to build on some of the content of the Uplands Policy Review, in respect of community transport and access to services. We were very pleased in the Uplands Policy Review that there had been a recognition of the Government's wider role of working with community organisations, and there had been case studies in the Review. We had seen quite a commitment there around supporting community-based enterprise. I thought quite a few things had happened since the publication of that report that perhaps could have been built into the Rural Statement.

Q362 Chair: Have you noticed any difference between the passing or the demise of the Commission for Rural Communities and the start of the Rural Communities Policy Unit? Is it better, worse or is there no change?

Keith Halstead: From our position, the CRC had been a somewhat more distant body. It certainly carried out some research on public transport, as did its predecessors. We felt they were somewhat more detached from central Government. Since the advent of the RCPU, we have certainly had stronger engagement with it, and the state of the community transport sector report that we published is a good example of that collaborative working. There seems to be a bit more connection, because it is based within Defra, with other Government departments, such as the Department for Transport, which is obviously a department we work quite closely with too.

Q363 Chair: Do you think there has been an impact from the higher fuel costs on community transport?

Keith Halstead: Inevitably, our members in rural areas would say that not only would fuel costs be at a higher price than you would find in many urban areas—supermarkets would be the obvious example—but they often have to travel to get to those filling stations too, so I think the price of fuel is quite an important factor and how that cost has increased. Clearly, when you look at other forms of income that community transport organisations receive, such as the reduction in the Bus Service Operators Grant, which was reduced by 20%, then that would have a cumulative impact on the income of a community organisation.

Q364 Barry Gardiner: Mr Halstead, could you just perhaps set out for the Committee how it is that rural community transport schemes are funded and also how the £20 million allocated to the Community Transport Fund has actually been used in practice?
Keith Halstead: Yes. We were very pleased to see that the Government made this boost of £20 million. That was to 76 local authorities, based on a formula that had previously been used for the Rural Bus Challenge. 76 authorities received an amount of funding; I think the highest was £500,000 and the lowest was something like £1,300. We worked with as many of those local authorities as we could, and we engaged with 48 of them out of the 76, so that is 63%. The money was unrestricted, so it was entirely up to the local authority, I suppose in the spirit of localism, in terms of how it allocated that funding and even if it allocated it to community transport. One or two did not.

Q365 Barry Gardiner: Can you give the names of those that did not allocate it as it was supposed to be?
Keith Halstead: Cornwall and Somerset are two examples I think I could give of the situation I know, where those authorities did not allocate the funding to community transport. Our members there are taking that issue up with local councillors.

Q366 Barry Gardiner: What was their allocation, if you know?
Keith Halstead: I could certainly provide it to the Committee. I do not have the figure to hand.

Barry Gardiner: That would be very helpful, yes.
Keith Halstead: Generally speaking, we were quite pleased to see how local authorities were working with the community transport sector in their counties and unitary authority areas. They wanted more to see how they could use that as an additional investment to generate some form of legacy, rather than just spending it instantly on perhaps a new vehicle. What we have seen out of it is many examples of stronger collaborative working between community transport organisations in a local authority area and with that local authority itself. For example, in Norfolk, Suffolk and Devon, we have seen the local authority support the formation of a collective organisation for all community transport organisations in that area, and actually passport some of the funding across that they receive from the Department for Transport to those organisations to look to see how they can work together, in a stronger sense, to carry out training and auditing, to look at reducing back-office costs and to see how they can address gaps that exist within those areas.

Q367 Sheryll Murray: Could I just ask if you have any idea how those authorities spent the money? Was it perhaps in partnerships with rural transport initiatives instead of spending it specifically on community transport?
Keith Halstead: Some looked at it more widely and spent some on community rail linked to community transport. Others were keen to look at broader transport strategies. Some wanted specific strategies on community transport. Others wanted to focus more on training and standing, so there was quite a mix. I suppose that distils down into about, I do not know, half a dozen things.

Q368 Sheryll Murray: I will just press you a little bit further, because your answer to Mr Gardiner led me to draw the conclusion that, because Cornwall and another authority did not spend money on community transport schemes, that was not going to help rural transport initiatives. Could you just expand on that? If they did, could you give us some idea as to the way they did spend it?
Keith Halstead: I can only say that, in both those instances that I referred to, I am aware that community transport organisations did not benefit from that funding and were upset by that. I would not have a view as to whether that benefited rural transport in some other way, because I do not have that detail. I would clarify that point.

Q369 Neil Parish: Good afternoon. What impact will further cuts in the Bus Service Operators Grant have on the community transport sector and are you satisfied by the work the RCPU has done with the DfT to ensure a staged approach to the changes in the grant?
Keith Halstead: First of all, all community transport organisations would have received the 20% reduction that the Government committed to, so in total about £5 million of BSOG goes to community transport organisations. Nearly 1,500 organisations in England claimed it, and the average claim is somewhere in the region of about £3,400. We know that because we have interrogated the BSOG data. Instantly, just from that, they will obviously take a cut of £700 each, which may not sound a lot but, if you are a small community organisation, that is £700 you have to find from somewhere else.

We have worked particularly closely with the Department for Transport, and through our discussions with Defra, on the reforms to BSOG. We are pleased so far by the direction those are taking and the protection offered by the Government, particularly to those services that are operated independently of any contract, which often provide transport to people who are older or disabled in society. Clearly, some money will be devolved; some of that funding will be devolved to local authorities, and I suppose there are some issues there around the detail of that devolution, in terms of existing commitments that community transport organisations may have. For example, you could have a community transport organisation that has committed itself to providing a community bus route on a contract basis, assuming BSOG, for a three- or four-year period. Now the devolution is coming halfway through that process, so there are some issues around how some of that funding is protected as it goes across into local authorities.

Q370 Neil Parish: Can I just press you? We all accept that funding is tighter at the moment. Are there ways of bringing in perhaps supermarkets, with a route that brings people in from the countryside to the towns, to get them to help? With a lot of these routes, the trouble is there are not enough people on them, hence they need the subsidy. Have you got any magic solutions to this?
Keith Halstead: What has been interesting and what we have seen is the significant, for us, increase in the region of about £3,400. We know that because we have interrogated the BSOG data. Instantly, just from that, they will obviously take a cut of £700 each, which may not sound a lot but, if you are a small community organisation, that is £700 you have to find from somewhere else.

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the case. We feel that the overall policy should be
another, so overall the picture is quite challenging.
are quite complex and vary from one local authority
market town, where there is significant potential for
growth. Those services would be eligible to receive
both BSOG in its revised form and concessionary
fares, so there is scope to grow that section of
community transport provision.

Q371 Sheryll Murray: Could I ask you if there are
any better, more local means of generating patronage
than the national concessionary travel scheme?
Keith Halstead: On the concessionary travel scheme,
clearly community transport organisations operating
registered bus routes are eligible for that, but a significant
proportion of services operated by community
transport are not. As an older person or a person with
a disability, I may have a concessionary pass, but I
cannot use it on community transport, particularly if
that is my only means of transport that is available to
me. The CTA feels that is unfair, and there has
obviously been a lot of discussion in this place and
elsewhere about universal benefits. We would be
saying, if there is any reform to concessionary fares
and any savings achieved on those reforms, perhaps a
small percentage of those should be focussed on older
and disabled people who need community transport,
so that they should be able to use their bus pass and
it should not be a postcode lottery, as it currently is.

Q372 Chair: Could I just pursue that? Does it worry
you or are you finding that some rural buses are
actually predominantly carrying only concessionary
fare passengers? Just in my own area that is
increasingly the case, and they are concerned that they
might lose the concession. Would it be easy to
administer a half-and-half, where you got into a
concessionary fare but it was still at a lower rate than
what the full fare would be, so that local authorities
receive the funding, but the more vulnerable, the
eyerly and the disabled do have access to
community transport?
Keith Halstead: Concessionary fares, in terms of the
formula that is used for how operators are reimbursed,
are quite complex and vary from one local authority
to another, so overall the picture is quite challenging.
As a principle of the Concessionary Bus Travel Act,
an operator should be no better or no worse off by
accepting that concessionary pass. That is not always
the case. We feel that the overall policy should be
reviewed quite significantly. Also, there is a need
perhaps for Government to look at the different levels
of subsidy that organisations receive. We talked about
BSOG; there are concessionary fares too, and also
local authorities have been securing funds from the
Local Sustainable Transport Fund to support public
transport in different ways. There is perhaps a broader
strategic need to review how spend is devolved to
local authorities.

Q373 Ms Ritchie: Are community transport bus
schemes constrained to only provide routes that are
not covered by the private-sector providers, and have
you seen an improvement in the services offered by
private companies where there is competition from a
community transport operator?
Keith Halstead: Quite simply, community transport
organisations, if they are operating under the permit
regime, which is the sort of legislation that governs
what organisations can do and cannot do, cannot go
into competition on community bus routes if there is
a commercial route in existence. Clearly some of our
members, and I mentioned these at the start of the
session, are larger and more enterprising. They would
have operators’ licences like any large bus company
would, so clearly they can go into competition with
them. I feel that, particularly in rural areas, there is
a role for community bus services in drawing people
together, meeting the needs of people in small
communities and villages, and bringing those into the
larger towns, and then you could have the commercial
and more profitable routes operating between the
market towns. Community transport is all part of that
overall mix.

Q374 Mrs Glindon: I do apologise for having
missed your earlier evidence. Some independent bus
operators have made a state aid complaint to the
European Commission about payments by local
authorities in England and Wales to community
transport operators. Do you have any sympathy for
their complaint and what are the implications for
community transport schemes if it is upheld?
Keith Halstead: That complaint is currently lying
before the European Commission. I have not seen the
detail of that complaint, so I am not certain which
organisations are involved and clearly what those
commercial operators are putting forward as their
case. Clearly there are state aid issues, which normally
local authorities are aware of when they are allocating
funding, particularly to community transport schemes.
I suppose there is a need to put it into context. There
are something like 22,000 registered bus routes
operating in the UK, but currently community
transport organisations are probably only providing
250. Most of the effort of community transport is
providing services that are not offered by commercial
operators. These are social journeys; they are not ones
that are going to generate significant profit. They often
have to be subsidised. They could be small schemes
involving mopeds, as with Wheels to Work. By far the
largest range of community transport provision is in
that area, so actually community transport as a threat
to the commercial sector is not really evident.

Q375 Mrs Glindon: If the Commission did uphold
their complaint, do you think this could have a serious
effect on community transport, if they were following
any commercial route?
Keith Halstead: Obviously it would be more explicit
if a community transport organisation was getting into
a contractual relationship with a local authority and
tendering. Both the local authority and the community transport organisation would need to be clear and understand any implications of a ruling, if it emerged. Certainly we have seen some initiatives where there are blanket exemptions around state aid rules, so I suppose we may want to explore that further. As I said, we would want to look more at the nature of the complaint and the issue to see what the detail of it actually is.

Q376 Chair: Could I just ask about patient transport for non-urgent cases? I know in my own area, in Ryedale, there is Ryecat and there is volunteer transport, but are we coming to rely too heavily on the voluntary sector? In more isolated communities that may not be sufficient. If I could add to the point I made earlier, are you concerned that this voluntary transport may come under increased pressure? For example, in Ryedale we have the highest cost of fuel in the country outside Scotland at the moment. Are you concerned about too much dependence on the voluntary sector?

Keith Halstead: Certainly our members are noticing a significant increase in the demands made of them, particularly for non-emergency patient transport. We are seeing ambulance trusts cutting back on what they provide and, often, our members will provide services and no one is effectively paying for them, certainly not the local NHS trust, but they feel a moral responsibility to provide transport for their neighbours and others most in need in their communities.

I do think it is an issue that it is worth exploring further with the Department of Health. We have tried to do that through two successive Transport Ministers actually. Given where it would figure on the Department of Health’s agenda, it is pretty low down and is seen as more of a local issue. We are trying to work with specific clinical commissioning groups, NHS trusts and others to pilot initiatives to say, “Look, community transport could bring in a group of patients together. We could try to work collaboratively to manage times of appointments, particularly people travelling from rural areas to regional specialist hospitals, to try to reduce costs.” We think, as an organisation, and our members do, that there are some significant opportunities, but we are working very locally on this and perhaps that is the way we have to do it. Certainly there are examples. Only the other day I was in Derbyshire, in the Peak District, and GP practice there funds a community transport organisation to bring patients in, rather than send the doctors and nurses out.

Q377 Neil Parish: My question is really on similar lines to the Chairman’s question, and that is how community transport schemes can ensure that they are sufficiently resilient, particularly when they provide essential services such as transport for healthcare. You have been talking about that. It is essential that people get to their healthcare, is it not?

Keith Halstead: That is where you have to make the case, perhaps drawing on some pilot initiatives, that significant cost savings can be made, but for a relatively modest sum. Remember that most community transport organisations are not-for-profit. A lot can be achieved. It is a challenge and community transport is not the answer to everything, by any stretch of the imagination, but in many communities that is all there is. You do not have anything else. We are working with our members to ensure they are as resilient as they can be. There is obviously always more that can be done but, if we can work with different agencies, local authorities and Government, then we can achieve more. There are some interesting projects going on in the other nations as well, particularly patient transport in Wales, which I think we could learn from.

Q378 Neil Parish: Even if it is recovering the cost of the fuel alone, is there a mechanism to do that? That is what worries me with some of these schemes; there is not enough money even to give them support on fuel sometimes.

Keith Halstead: There is obviously a mix of funding. Passengers pay a fare, whether that is in community car schemes or wider initiatives. We have noticed, particularly in rural areas, that many parish and town councils make discretionary grants to community transport, and that is significant and it has increased. It is not just county councils that we are talking about here.

Q379 Chair: Have post buses gone?

Keith Halstead: Post buses seem to have died out as an initiative. There were quite a number in Scotland, but there seem very few now.

Q380 Chair: What do you think of Wheels to Work schemes? Are they being adequately supported by the Government? Should they be ring-fenced for a longer period than the current timescale?

Keith Halstead: A number of our members operate Wheels to Work schemes. I am very supportive of them, certainly for young people. They are both a route into employment and education, and they also help to build confidence and enable them to access the services they need. The advent of more community bus routes, too, will help young people. There is quite a body of organisations that feel that young people should benefit from concessionary fares too. With the Wheels to Work scheme, we put forward a proposal to the Department for Transport and Defra saying that we would like to look at the financial models of some of those schemes, because there is potential to be quite enterprising to develop more Wheels to Work schemes as social enterprises, perhaps using some of the loan finance from Big Society Capital and other social investment bodies for the third sector. We would like to just look at those more and advocate some different financial models to scale up Wheels to Work schemes. I think it would be good for DWP to take more of an interest in them too.

Q381 Chair: Do you think there is a role for community transport in getting people to work, training and education, for example? We will all have training colleges and outlets with trainees who cannot drive, because they are underage. Do you think there is a role for community transport there?
Keith Halstead: Our members can offer help and support there, both in direct services and in training a number of young people involved in programmes with community transport schemes themselves. We too can work with other bodies, such as colleges, as you mentioned. Often colleges and student unions may have minibuses and vehicles that are not being used at certain times of the week, and community transport organisations can then use that resource to provide transport perhaps for people under 18 who want to go to a market town on a Friday or Saturday evening.

Chair: Thank you very much indeed, Mr Halstead. We are right on time. Thank you very much indeed for participating and being so generous in contributing to our inquiry. We thank you for being with us and I will invite the next group of witnesses to come forward.

Examination of Witnesses

Witnesses: Mike Perry, Head of Communication, Plunkett Foundation, and Professor Mark Shucksmith OBE, Director, Newcastle Institute for Social Renewal, Newcastle University, gave evidence.

Q382 Chair: Can I thank you both most warmly for being here, welcome you both for joining us and thank you for contributing to our inquiry into rural communities? As I mentioned earlier, we will break for a vote at 4, so I apologise in advance for that. Just for the record, would you like to present yourselves and give your positions?

Professor Shucksmith: I am Professor Mark Shucksmith from Newcastle University, Director of the Newcastle Institute for Social Renewal, and I am also, until the end of March, a commissioner with the Commission for Rural Communities.

Mike Perry: I am Mike Perry from the Plunkett Foundation. My role is Head of Communications. I am also a board member at the Community Land Trust Network.

Q383 Chair: Thank you. To start, how would you describe the greatest challenge facing rural communities at this time? It is not an essay answer; it is meant to be a gentle opener, sorry.

Professor Shucksmith: No; it is like being asked your eight desert island discs. The biggest challenge at the moment is how to cope with the current financial and economic circumstances. That is in the short to medium term. In the medium to longer term, the biggest issue is how to connect with the changing technologies, the high-speed broadband, that threaten to leave rural areas behind, in the same way that the railways left parts of the Wild West behind when they were being developed in the railway age.

Mike Perry: I agree with Mark. I would add that affordability of housing is clearly an issue, and the population changes. Mark has outlined most of this in his written evidence, but the out-migration of young people from the countryside is a big issue as well. From our point of view, what we are seeing are challenges to typical models of service delivery—public service delivery and private service delivery—and the need for communities to step in. That is really what our organisation tries to do.

Q384 Chair: The Committee did what I thought was an excellent piece of work on uplands, and it seemed to be quite well received. In your view of the Rural Statement, do you believe it is a coherent strategy? Does it go as far as it might? Does it give an action plan that can be used to hold the Government to account?

Professor Shucksmith: In my view, the Rural Statement did not set out a strategy at all. There were many things that the Rural Statement might have done and that we might have expected. One would have been a statement of a joined-up rural policy across the different departments of Government. Another might have been an analysis of the changes in rural areas, the issues and how to respond to those, or it could have been a detailed outline of the commitment by each Government Department to rural proofing, but actually it was none of those things. It was a welcome reassertion of the Coalition Government’s commitment to rural communities. Many of these initiatives are welcome, like the co-ordinator at a national level for Wheels to Work, which you were just talking about, but essentially it presents a range of ministerial initiatives. It is a list of things that the Government is doing, including a necessary recognition of rural areas’ contribution to economic growth.

In my view, there was a certain air of unreality about it, because it presented all these initiatives without any recognition, any acknowledgement, of the changing context around them. For example, in terms of what you have just been talking about, there was the mention of the extra money for community transport, but no mention of the cuts to the Bus Service Operators Grant. There are mentions of new pots of money for affordable rural housing and no mention of the collapse in house building and in the construction of affordable housing. I was disappointed by it. The very final thing, the very final sentence of the Rural Statement, was a statement that this was a contract with rural areas “so that they can hold us to account on our promise to grow the rural economy and support thriving rural communities”. If that was the intention of the document, it would have been very helpful for the Government to publish some key performance outcomes, so that one could actually hold the Government to account in the way that that last sentence suggests.

Mike Perry: I would agree again. In addition, we welcome the Statement and the fact that it was published. It was long awaited; it was delayed a number of times, so we were pleased to see it published. We were pleased to see an emphasis on rural growth. What we would have liked to have seen is the role of rural services underpinning rural growth. We would have liked to have seen that evidenced. We
would also have liked to have seen a greater commitment to capturing data and analysing data around rural growth, the number of enterprises, etc. One example is that there is no current data set on the numbers of pubs and shops in rural areas, which is something we would like to see.

We were pleased that we were recognised and our role was recognised in the Rural Statement, and there was a commitment to partnerships and we are exploring that partnership with the RCPU as we speak. I think it is quite clear that, with the resources available to the RCPU, they are going to be heavily reliant on relationships and partnerships in order to deliver their priorities.

Q385 Ms Ritchie: These are questions about the engagement of the Rural Communities Policy Unit. In written evidence to us, the Plunkett Foundation argue that the RCPU currently relies on too small a number of rural stakeholders to influence their policy and practice. Do you agree? That would be to Professor Mark Shucksmith.

Professor Shucksmith: Yes. Actually, I did not know that Plunkett had said that, but it is exactly the point I would make as well. The Rural and Farming Networks and also the contract with ACRE, which RCPU has as their two main ways of engaging with rural communities, are valuable, but inevitably they are the usual suspects. They are the organisations that are there to represent their members' interests and they are accountable to their own particular members and organisations. The rural community councils are broader than that, of course, but if one is really trying to reach all parts of rural communities, particularly in the way that the Commission for Rural Communities was statutorily obliged to try to reach disadvantaged groups in rural communities, one has to go further. I do not mean that as a criticism of RCPU, because it is extraordinarily difficult for a central Government unit within a ministry to reach out in that sort of way, particularly with the relatively few members of staff that they have.

Q386 Ms Ritchie: How do you ensure that Defra reaches out to a broad enough base that includes the hardest-to-reach rural residents? That is to both of you.

Mike Perry: We have to acknowledge that the team is very small within the RCPU, and the expectation that they will be able to reach out to all rural communities, particularly the hard-to-reach, is probably unrealistic to be honest. They will be reliant on organisations like the ones we have talked about—ACRE, RCAN, us. There is a range of rural stakeholders; there are the academic institutions that Mark represents. They have to be reaching out in all sorts of different ways and engaging in different ways in order to reach these people. The expectation that that small grouping of people will be able to tap into the views and changing circumstances of all those different communities is pretty unrealistic.

Professor Shucksmith: Yes, I agree. I think it is unrealistic. If you were wishing to do that, you would design the architecture of institutions in a different way, and go back to something more like the Countryside Agency because, after all, in that side of Defra’s responsibilities there is Natural England, which does have a presence throughout the country in offices. On the social and economic, they have lost that with the abolition of the Countryside Agency, as much as with CRC.

I do note that, in the North East, we have a Northern Rural Network, which tries to bring together around about 600 or 800 people active in rural development practice. It is Newcastle University that animates that group. We have fewer meetings now because people do not have the funding to come to them, but, when we do have them, people are really pleased to meet one another, because they have fewer and fewer opportunities to meet one another. They all speak about how distant and remote central Government has become, and how they no longer really have contact with central Government.

Q387 Ms Ritchie: Bearing in mind what you have said, do you think the RCPU and its work has a sufficiently high profile outside of government?

Mike Perry: My personal view is the RCPU is new; it is small with limited resources. Again, the expectation that they will be well known far and wide within the English countryside is just not the case. That is my personal view and I suspect that would be the view of people within the RCPU as well. The Government marketing freeze probably does not help. The CRC was not subject to that, going back a couple of years ago, so it could engage in events, publications and a greater degree of press work, which would mean that people were more aware of the fact that the organisation existed and what its priorities were, but the RCPU is subject to greater restrictions, and so that inevitably is going to lead to fewer people knowing about their work, what they do and the fact that they exist at all.

Professor Shucksmith: I agree. The CRC, which still exists, has been unable to do all those sorts of things for the last couple of years for the same reasons.

Q388 Chair: Do you say the CRC still exists?

Professor Shucksmith: Yes, until the end of March.

Q389 Chair: Obviously you have a vested interest. I am going to ask you both this: do you think it is better or worse since the Rural Communities Policy Unit has been set up? Is it more appropriate to be in-house, if I ask you both? Obviously you have a slight vested interest in this.

Professor Shucksmith: I declare my interest as a Commissioner with CRC. There are positives and negatives. You already heard the positive in the last session, insofar as an organisation like Community Transport can speak now to an organisation that is part of Government and has the ear of ministers—or at least Defra ministers. It is a question as to whether they have the ear of other ministers, but that is a plus. On the negative side, there are far fewer staff now when you look at how many, 60 people, were in CRC plus the two bits of Defra that used to do this work. There has been a big cut in the resource. Because it is within a ministry, the staff are now essentially looking after the Minister’s interests, perhaps more than...
disadvantaged groups in rural areas, if those are in conflict at all. I think the process is less transparent and independent, so I do think we have lost the independent voice that CRC and the Rural Advocate provided.

**Mike Perry:** That would be my main point as well. As far as we were concerned, the main role for the CRC was the source of independent expert advice, and that advice, even if it is expert, is internal within Government now, so there is a need to explore different ways of providing that independent expert advice, and again it can come down to relationships, partnerships and networks being able to derive their expertise from those groupings. That has been an issue since the changeover. Again, we have mentioned it a number of times, but the lower staff resource and the lower overall pot of resources available for the RCPU versus the CRC, and what was then the rural policy side of Defra, is quite a significant difference.

Q390 Sherryl Murray: I would like to turn to rural proofing. What is the most effective way of ensuring Government policy is rural proofed? Could I ask you, Professor Shucksmith, to give us an example? You highlighted the example of school funding in your evidence as a policy that had not been rural proof. Taking this as an example, what do you think would have been the best way to ensure that it was rural proofed?

**Professor Shucksmith:** Rural proofing has been a thorny issue for many years, as civil servants, CRC and other rural stakeholders have sought to find the most effective way of doing it. First of all, I would say that nobody has found the perfect method yet. I would add, though, that this was the main subject of the OECD’s review of rural policy in England in 2011, which does not get a mention in the Rural Statement at all, so I do think that there might be some lessons to learn from that OECD report.

The most effective way of rural proofing is to have strong relationships with the relevant civil servants in other Government Departments so that, when they are designing policy, right at the beginning they are attuned and made aware of rural aspects and angles, so they can think about that at that early stage. It is much harder to try to change a policy once it has been drafted and announced, so that is the ideal. Whether that is possible with a very small RCPU is another matter. I think RCPU has established strong working relationships with colleagues in some Government departments, and has been able to provide CRC with access to policy specialists on matters like housing, social care and benefits, but links to other policy areas, like schools and youth unemployment, appear to be much less strong.

In relation to schools, since you asked specifically about that, I do think that, if there had been conversations with Defra staff and if Defra staff had been aware that this was happening—I stand to be corrected, but I do not think they were aware that this was coming in and was going to have an impact on rural schools—it would have been quite easy to have designed a funding formula that did not have these consequences. I can elaborate on what I think the solution is, if that is helpful.

**Mike Perry:** Rural proofing is not the only issue that people seem to think can be resolved by a toolkit. There have been a number of rural proofing toolkits that have been developed over the years. We think there is one squirreled away somewhere that may or may not be launched at some point, but having a rural proofing toolkit does not mean that has been implemented at all. Mark summed up exactly what the issue is.

In addition to that, we have found that some Government departments are actually better at rural proofing their policies than Defra has been at times. The two examples we would give are things like post office mainlining and the community rights legislation. We have been involved in that, and ACRE and other rural stakeholders have been involved in influencing that legislation. They acted as rural proofers. The RCPU has not necessarily done that on those particular bits of legislation. In future that process will have to be used with fewer resources and a smaller team. They are going to be more reliant on partnerships and others to influence policies to ensure that they are suitable for rural communities and rural people.

Q391 Neil Parish: Mr Perry, in your Plunkett Foundation written evidence, you argue that Defra lacks focus on retaining services within rural communities. You say “clear policy interventions are needed and are currently lacking”. What support do you currently receive from Government and what policy interventions would you like to see? It is only a small question.

**Mike Perry:** What support do we receive from Government? We are a strategic partner of the Office for Civil Society within the Cabinet Office. We are a strategic partner with Defra. We lead Defra’s Social Enterprise Strategic Partnership. We are a specialist delivery partner under the Assets of Community Value contract, which Locality leads as part of DCLG. This is not strictly speaking Government funding, but we receive funding from the Big Lottery for various aspects of our activity. In terms of direct support from central Government, it is a fairly small but important part of the resources we receive. We are much more reliant on fantastic funding from institutions like the Esmée Fairbairn Foundation, the Co-operative Enterprise Hub and, as I said, the Big Lottery Fund, versus central Government funding.

Q392 Neil Parish: Also you say in your evidence that “clear policy interventions are needed and are currently lacking”, so what are these interventions that you would like to see?

**Mike Perry:** This is not necessarily just a Defra issue, but we would like to see a commitment to retaining shops, pubs and vital services in rural areas. At the moment, the planning policy is up in the air as to whether it supports it or not. What we have seen is communities being willing and able to take on running a shop or a pub, and they have been prevented from doing so for various reasons. We would like to see the planning system provide greater support for that. Change of use has been an issue. People have applied for and received change of use, despite their
community wanting to take over and run a service. That is one example. We would like to see barriers being removed for communities looking to do this. We have mentioned planning; there are significant financial implications.

**Chair:** The Division bells are clearly not working. We stand adjourned and we will return in 15 minutes. I apologise.

**Chair:** Thank you very much indeed for your forbearance. We are not expecting another vote, but one never knows, so if we carry on where we were with Neil Parish.

**Q393 Neil Parish:** I just wanted one supplementary, Madam Chairman. When you are talking about delivering community shops and pubs, are you finding a difference between different local authorities? In East Devon for instance, my own constituency, we have quite a number of community shops and pubs, which seem to have been quite successful. In mid-Devon there are not quite so many, and that may be because they did not apply for them. I am just wondering what you think about the local authorities.

**Mike Perry:** Local authorities have played an important role in community-run shops and pubs, particularly small-scale grants, anything from £1,000 up to £50,000, which I think is the most I have heard about.

**Q394 Neil Parish:** You also talked about planning, did you not?

**Mike Perry:** Yes. I have all the statistics and all the postcodes where community shops are. As to the issues with local authorities, planning comes into it in part, but with community-run shops, the majority of the time and effort comes from the community itself, so the local authority is a minority player, albeit an important stakeholder in it. With community shops, it is important to say as well that 60% of community shops exist in new premises or alternative premises; they do not go into what was formerly the shop. The planning issues are not just related to: “Can we can take over that shop or not?” It is: “If we cannot, where else can we put it?” There is a difference in where community shops exist. That is related to patterns around population and settlement sizes. It is related to historical issues as well. We have seen a clustering effect; where one exists, they tend to cluster around it. We have maps; we have postcodes. I have a couple in my bag, if you would like to look.

**Q395 Mrs Glindon:** Do you predict much take-up of the Community Right to Challenge, and what risks do you foresee for communities attempting to do this?

**Mike Perry:** The main risk to the Community Right to Challenge is if a community challenges a local authority that is providing a service. The challenge leads to a tender process and anyone can bid for it. A community may go for it and end up with a service provider that provides a far worse service. That is the risk. The community initiating it does not mean that the community necessarily gets the opportunity to take it on or not. In terms of take-up of the Community Right to Challenge, it does not seem to be a big deal for rural areas, to be honest, due to the lack of public services currently being delivered in rural areas. It is too early to say, to be absolutely honest. That is the case for all of the community rights. Most of them have been up and running for a relatively short period. Not everyone knows about them yet. There is still a communications task to be done to help people to understand these. Particularly for the Community Right to Challenge, people would need to go in with open eyes, if they are going to challenge a local authority service deliverer.

**Professor Shucksmith:** I agree. I think the big danger is that initiating the tender process might lead to privatisation of the service, with it being provided by a distant provider that perhaps is not too interested in the rural communities.

**Mike Perry:** One additional point very quickly is the inter-related issue with the Public Services (Social Value) Act, meaning that local authorities will need to take into account issues wider than the economic cost of the tender when assessing tenders. That could provide a useful opportunity for communities where they are providing multiple benefits from a contract, not just delivering minimal services for minimal costs. An issue for rural communities is that the level for when that issue is actually applicable is about £150,000, the contract value, so for some smaller contracts, which is probably more applicable to rural communities, that will not apply.

**Q396 Chair:** On community shops, you mentioned the size of the settlement. You cannot force people to shop there. If the village or the community does not shop there, there is not much to safeguard their future, is there?

**Mike Perry:** I completely agree. The one statistic we will trot out time and time again is there are 314 community-run shops in existence. This is slightly updated now from the evidence we submitted. 314 community-run shops have opened over the last 20 years, and 301 are still open today, so they are very successful and very viable. Where they differ from privately run shops is that the community literally owns it. They have a share; they have the ability to make their voice heard as to what the shop is and what it should be. Therefore, they get a great deal of commitment from their community, so they are extremely resilient forms of business. About 96% of those that have opened are still open, so it compares very favourably with any form of business I have come across.

**Q397 Chair:** Are you both worried about the loss of business through a number of reasons for rural post offices and pressure on the future of post offices, which in many cases are being replaced by a post van? Are you concerned by those developments, Mr Perry?

**Mike Perry:** We have had a commitment from Post Office Ltd. What I understand is that the Coalition has committed to not reducing the scale of the post office network during this Parliament.

**Q398 Chair:** Do you have evidence that councils, particularly district councils and county councils, are
pushing business the way of post offices? Is the post office card still working for Work and Pensions, which I think Professor Shucksmith referred to earlier?

Mike Perry: I do not have detailed evidence of that. About 60% of community-run shops provide post office services. The models that exist for post office service delivery within community-run shops pretty much cover every single model that exists, apart from the main service delivery model that exists in larger settlements. Often community-run shops are providing subsidised premises for a post office service. I do not really have evidence as to the types of business going through it from local authorities, but I know that it varies, just because the models are so different.

Q399 Neil Parish: To both of you, the DCLG estimates the average cost of drawing up a Neighbourhood Plan is between £17,000 and £63,000. Do organisations in rural communities, such as those in the voluntary sector and parish councils, have adequate human and financial resources to cope with devolution of responsibility from central Government, particularly given the recent announcement on the spending settlement?

Professor Shucksmith: The capacity to do that sort of thing, both in terms of the financial capacity and in terms of the other skills and qualities that a community would need, varies enormously from one place to another. In the written evidence, I have tried to draw that out a little bit in terms of the different elements of the capacity that a community might need, in terms of knowledge, social networks and the ability to work collectively together, which is quite a task. It seems to me that communities that do have those things will be the ones that are likely to establish Neighbourhood Plans and the others will not. It will be a minority that can, but there is another aspect to it, which is that the local authority has a duty, a requirement and a responsibility to support a group that is trying to draw up their own Neighbourhood Plan. It has certainly been said to me by planning officers that the diversion of their effort away from developing their core strategy and their central planning documents is significant. They are required to help communities work on Neighbourhood Plans and it does represent another call on departments that are losing staff.

Q400 Neil Parish: What should Government do so that the inequalities do not increase in rural areas, between the larger parish councils and the small ones—those that meet perhaps every other month— the different sized parishes, different budgets and all those things? How do we deal with that?

Professor Shucksmith: There are a number of things. First of all, to try to improve the quality of parish councils was something that was addressed a few years ago. The idea of quality parish councils was in the 2000 Rural White Paper. I thought that was a very good proposal, but it did not really get the implementation and the support that it deserved. Secondly, there is a need for community development support—for animation, for hand-holding and for building the skills and working with those communities. That requires people on the ground who have those community development skills. While that is a cost, and it may seem as if it is something that we cannot afford, it is something that is in the way of an investment, rather than a continuing revenue cost. It is something that is building up capacity, which might then save money in the future.

Q401 Neil Parish: How does the Government directly effect that then?

Professor Shucksmith: By funding those community development professionals, organising them and looking at lessons from other countries. We can look to Scotland, and the work of the Community Land Unit in supporting work in the Highlands and Islands, and many other countries across the world where there is relevant evidence to draw on. I do not think it has to be a high cost, but it is essential if one is trying to transfer responsibility and, at the same time, trying to ensure that that provides a relatively even standard of service, rather than creating greater inequalities.

Q402 Chair: Could I just turn to European funding and a comment that was made by the leader of North Yorkshire County Council? As the national contributions go down, rural areas become more dependent on European programmes by Leader. Are you concerned about scale-backs and uncertainties relating to the next stage of the RDPE and, if you are, have you made representations to the appropriate places in Government?

Professor Shucksmith: Yes, I am concerned about that, and thank you for bringing in the issue of European funding, because it is a major resource for exactly the purpose that we were discussing. That is the sort of thing that Leader has been about, and potentially one could have more of the Pillar 2 RDPE funding allocated towards that purpose. In fact, I have argued to past rural ministers that putting Pillar 2 to that use is more genuinely about sustainability than agri-environment funding, which is actually revenue funding and does not invest anything for the future, whereas this really is an investment in trying to build something for the future and future generations. My advice would be to put more Pillar 2 funding into that sort of approach, the community development support, and to switch money from Pillar 1 to Pillar 2 to allow a greater pot there.

Q403 Chair: Farmers may not necessarily agree with you. Mr Perry, do you have a view?

Mike Perry: I am also a farmer’s son. There is a concern about the scale-back, but the other concern is making sure that the next generation of Leader actually fits the needs of communities today, as opposed to communities 10 years ago. That is an important issue. In terms of over-reliance on European funding, through our work, for example, virtually none of the communities that have saved their shops or pubs have received any European funding through Leader. The money really has been raised either by themselves or got it through alternative sources, so it does not appear to be working from that point of view, and we are making representations in the light of that and the current timing of it, as people are looking at Leader, what it is and what it could be. Alongside the
RDPE and CAP, we are making representations. I am sure Mark and others are doing the same.

Professor Shucksmith: Could I just add a point about the uncertainty of future funding and the gap between funding or programme periods? One of the things that has stopped Leader being as effective as it could have been is that, with every new EU funding programming period, there is a hiatus; all the staff are lost; the Local Action Groups are disbanded. There is a tremendous loss of capacity, know-how, impetus and momentum. My suggestion, which I have made to officials in Defra, comes from a meeting of all the Local Action Groups in the North East that I chaired in the autumn, where this was a major concern. What emerged from that meeting was that, if the Local Action Groups were to be encouraged to continue meeting, even during the period when they are not funded, then they would be able to maintain a lot of that know-how, impetus and momentum, and Leader would be much more effective in the future. My suggestion would be that ministers say to Local Action Groups that, if they continue meeting and being active, even with no funding—maybe the Government could give them minimal funding to at least attend meetings—the Government would undertake to make that a significant criterion in deciding where to support LAGs next time around. That would be costless and very effective.

Q404 Chair: Directed to you, Professor Shucksmith, the Department obviously is responsible for rural communities. Do you believe that Defra should have a policy on rural deprivation? Do you believe that rural deprivation should be distinguished from urban deprivation, and should be reflected in, for example, health and education funding?

Professor Shucksmith: Yes, I do. One could argue that it is not Defra that should be worrying about deprivation; it is DWP and all the other Government Departments. There is a difference between the rural experience of deprivation and disadvantage and the urban experience of deprivation and disadvantage. That has been established in a major report that the Commission for Rural Communities pulled together a few years ago and then explored further with many of the vulnerable groups in rural areas.

Q405 Chair: To answer the question, do you believe that Defra should have a specific policy on rural deprivation? Should this be reflected in health and education funding?

Professor Shucksmith: Yes. I was just going to argue that the reason for that is that there is this different rural experience, and Defra would be the Government Department that would be most likely to understand that. Their role is to try to influence other Government departments’ policies.

Q406 Chair: Just one last question to you both, if I may: you mentioned sustainability, Professor Shucksmith. What do rural communities need to do to be sustainable and resilient to future challenges?

Mike Perry: I think Mark summed it up quite nicely in his paper. It has moved away from sustainability towards resilience. It is the ability to cope with changing circumstances and changing issues. From our point of view, it is the willingness and ability to act when others are not able to act for them. Again, Mark has said this and other papers have said this, and I think we started the session with this: rural communities are going to face the issue over the next few years, with the financial crisis and everything else, that public service delivery models and private service delivery models will be threatened, and communities will have to look to themselves to a greater extent to do this. There are certain processes that they can go through to be better prepared for it, but really it is about being ready, willing and able to act when called upon. Planning ahead is obviously key to that as well.

Professor Shucksmith: As I mentioned in the written evidence, people are becoming more enamoured of the term “resilience” than “sustainability” now, partly because sustainability means different things to different people, and, to some extent, the term has been captured by environmental concerns more than the social and the economic perhaps. Resilience allows you to bring all those back together again. Resilience seems to me to be about adapting to new circumstances, with this idea of “bouncing forward”, rather than “bouncing back” to business as usual or the system as it was before.

The essential elements that enable a community to do that are: to have access to assets, both within and outside; to have networks, learning from other communities but also learning from universities, central Government, organisations like Plunkett, ACRE and so on; and the ability to work together. That is probably the hardest thing, because it involves things like leadership, conflict resolution and inclusiveness and all that. As I have argued, in some communities that is there already but, in others, it does need further development. It needs capacity-building and animation, and that is where an enabling state is absolutely essential. Passing responsibility to communities to take responsibility is very desirable, but I do not think that can be done in an even-handed way by an absent state. It needs an enabling state.

Chair: May I thank you both for participating and our earlier witness, Mr Halstead, as well? We have benefited enormously from your expertise and we are very grateful to you.
Tuesday 29 January 2013

Members present:

Miss Anne McIntosh (Chair)
George Eustice
Sheryll Murray
Neil Parish

Ms Margaret Ritchie
Dan Rogerson

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Examination of Witnesses

Witnesses: Richard Benyon MP, Parliamentary Under-Secretary for Natural Environment, Water and Rural Affairs, Defra, and Sara Eppel, Head, Rural Communities Policy Unit, gave evidence.

Q407 Chair: Good afternoon, Minister, you are most welcome. Would you like to just introduce yourself and your colleague, for the record?

Richard Benyon: I am Richard Benyon; I am the Minister for Natural Environment and Fisheries. I am joined by Sara Eppel, who is Head of the Rural Communities Policy Unit.

Q408 Chair: Thank you very much for participating in what is the conclusion of this stage of our inquiry into rural communities. Minister, how high a priority do you give to rural communities and the work of the Department?

Richard Benyon: A very high priority. It is something that is a very high priority, not just for all the Ministers in Defra and all the ministers who were in Defra prior to the reshuffle, but also the Prime Minister and many other Ministers across the coalition who come from rural communities and feel very passionately about them. The “R” and “A” in Defra are really important to us. Just to say that sounds glib and like political-speak, but by our actions we want making them feel that they have got a Government and a Department that are on their side.

Q409 Chair: You have one definition for rural areas and the Department for Communities and Local Government have another. Would it not make more sense if you are the lead Department on rural communities, for there to be one definition for rural areas?

Richard Benyon: It might do, actually. I do not have a fixed view in my mind. I know what I think of as a rural community and I am sure that there have to be measures to satisfy funding streams and others. However, if there are mixed messages coming across from Government, I will certainly look at that. Sara, are you aware of where we are on definitions on rural communities?

Sara Eppel: When we are looking at rural communities, some are more rural than others. We call those Rural-80 and there is Rural-50, so it is quite a statistical definition. When we are working with the Department for Communities and Local Government, they have absorbed that set of indicators into their sparsity weighting. Although it is not exactly the same, their sparsity weighting is very close to our Rural-50 and Rural-80 work, so we are trying to get them to align.

Q410 Chair: For the benefit of the inquiry, could you just state what your current definition of rurality is?

Sara Eppel: There is a range of layers. Going out from urban, we would have peri-urban. We would have, as I said, Rural-50 and Rural-80. So, we are going down into details of how sparse and how distant people live—how far the communities survive away from towns. By using those gradations, we can make sure that our statistics and our reporting is as defined as it can be.

Q411 Chair: Would you accept, Minister, that it is probably quite a bit more expensive to deliver public services in rural areas—services like health, with the big cost of the ambulance services, the collecting and disposing of waste and school busses? Do you accept that, first of all?

Richard Benyon: Absolutely, yes. There is plenty of statistical evidence, as we all know, from our constituencies. There is also an issue in terms of service delivery. You can tick many more boxes and you can achieve many more outcomes by getting a service provision around in a town than you can in going around rural villages. The case I always quote—I do not know why it sticks in my mind—is about stroke therapies. You can probably get around half a dozen stroke victims in the same time as you can get around two or possibly even fewer in some very rural areas. So you can understand why service managers want to show that they are treating as many stroke victims as possible. However, in doing so, you are disadvantaging people in those conditions in rural areas. One of the things we are trying to do is to provide, across Government, the necessary measures to ensure that that kind of bias is not happening.

Q412 Chair: However, it is happening. Minister. Certainly, there were three separate figures. If you take one district in my area, they were given three different spending figures. The final figures were released on 17 January in the spending settlement. It means that there are 40 districts that are sparsely populated and deeply rural in the country that are going to be, by their definition, underfunded because of other definitions that are used by the other Department. What discussions do you have with Eric Pickles and other Ministers in the Department for Communities and Local Government to ensure that there is fairness and equality in funding?

Richard Benyon: We have not discussed this at a ministerial level. We had a lot of time with the
Richard Benyon: on the whole lot. Are you making representations to "dampening" and that seems to have put the kibosh was going to actually put money across to rural is much greater. Now we understood that the DCLG 80% rural, or even 50%, the cost of delivery of service settlement, the problem is that in any authority that is much greater. Now we understood that the DCLG 80% rural, or even 50%, the cost of delivery of service settlement, the problem is that in any authority that is much greater. Now we understood that the DCLG

Sara Eppel: We have had a lot of interaction with DCLG around the rates review and the local government settlement. We brought in our rural definitions and statistics to ask DCLG to look at the impact, which they have done. Basically, some rural areas are not doing as well as others, but equally some urban areas are not doing well. So, there are some that do not do as well, but there are some that do better. It is therefore very difficult to say it is only rural areas that are not doing so well. There is a balance across all of it and, ultimately, it is for Ministers to decide where that hits.

Q413 Chair: We will come on to discuss this aspect in more detail. It has been put to us that rural proofing is not working nearly as effectively as it did in the past when there was the Commission for Rural Communities. Do you accept that criticism?

Richard Benyon: No, I do not. I think rural proofing is an absolutely vital measure. I come to this from a slightly jaundiced view about how it was done in the past, because I chaired a rural committee on a local strategic partnership. We had lots of paperwork on rural proofing, but I did not feel it was really touching the sides of the problem in terms of the provision of services in that part of rural England. It is something that I have taken very seriously; it is something that my colleagues do. David Heath brings a new impetus to the Department on this because he comes from experience on bringing legislation forward into Parliament, so we are really taking this very seriously. We have got some really good success stories that we are happy to go into. I think we are doing a good job, but it is really something that we are very open to review on. In fact, we are setting up a group that will be led by Lord Cameron that will look at that and make a judgment, and it will have free reign across Government to see how we are doing that.

Q414 Neil Parish: On the local government settlement, the problem is that in any authority that is 80% rural, or even 50%, the cost of delivery of service is much greater. Now we understood that the DCLG was going to actually put money across to rural authorities. Something has been added called "dampening" and that seems to have put the kibosh on the whole lot. Are you making representations to DCLG to try to get this put right?

Richard Benyon: Yes, we are. We are in discussions with DCLG. We recognise the difficulties and, as Sara said, there are some winners in rural areas under the current funding scheme, and there are some losers. There are also some winners in urban areas and there are some urban areas that are not doing so well. It is not a straightforward binary issue but we are certainly working very closely with them to try and find a way forward.

Q415 Neil Parish: Are they listening?

Richard Benyon: Absolutely.

Q416 Ms Ritchie: This is a question about the Welfare Reform Act. The Commission for Rural Communities argues that the bedroom tax will have a disproportionate impact on rural communities. Has Defra pushed for an exemption for rural areas that lack the range of pricing stock this policy requires?

Richard Benyon: We made rural affordable housing one of the priorities that we are working to achieve. We have worked with colleagues to make sure that, for example, exception site housing will still continue in rural areas. We have exempted it from the measures in the Localism Bill whereby developers could go back and renegotiate Section 106 arrangements. Rural housing is very much a priority. I do not think we should kid ourselves that exception site housing is going to resolve the shortage of affordable housing. That will come through a renaissance of house-building, which is a cross-Government agenda. Of course, it brings into play a lot of other issues, like people not wanting new houses near where they live, but there is a real desire to provide that and a whole range of different measures that can achieve that—for example, developing redundant farm buildings through Homes on the Farm, and there are all these other measures that we want to see across England. There is no silver bullet to it but we want to see more affordable housing in rural areas.

Q417 Sheryll Murray: Can I look at the protections that are applied for the countryside? Specifically, what discussions have you had with other Departments before the Government finalised Clause 8 in the Growth and Infrastructure Bill, which removes the protections from national parks and other designated landscapes?

Richard Benyon: We are very determined that one of the key deliverers of growth in rural areas, and the thing that will unlock the ability of the rural economy to play its part in the recovery of the national economy, is broadband. We want nothing to stand in its way. That said, what we are proposing here is not going to make a dramatic difference to the landscape and, in many cases, no difference to the landscape. We just want to make sure that in our desperate and determined urgency to roll out the high speeds of broadband to some of the most remote communities, we are doing this in a way that is not encumbered by current restrictions. I know this is causing concern to bodies such as the national parks. It is a sunset clause; it has got a five-year limit. I am very happy to go into more detail about our rural broadband rollout, but it is a determination across Government to see this happen as soon as possible, and we do not want planning to be a preventer of that happening.

Q418 Sheryll Murray: Just moving on from that, could you give me an example of the sort of applications that you would want to see go ahead that...
Richard Benyon: I do not know whether they would have been rejected, but they may have been delayed through a process. There still will be a consultative process; it will not go through Sites of Special Scientific Interest and such like. It is about above-line cabling and it is about boxes—that is probably about all. I am guessing here, Sara, that there will be the occasional master antennae.

Sara Eppel: For wireless.

Richard Benyon: For wireless. For the hard to reach, we recognise there is going to have to be a wireless provision; this may include those.

Q419 Sheryll Murray: Do you think that Clause 8 sets a dangerous precedent, and is that why you have put in the sunset clause?

Richard Benyon: We have put in the sunset clause because this is a one-off project. This is not something that is going to be repeated, unless you have a suggestion of some new technology that we have not thought about. In those circumstances, you might consider doing this again, but I cannot see any need for this after the rollout of this provision, so that is why it has got a five-year sunset provision.

Q420 Ms Ritchie: On the question of rural broadband, Minister, earlier this month Ofcom stated that the speed for a basic internet experience is now 8Mbps to 10Mbps. Are you concerned that in rolling out universal coverage at just 2Mbps to the most rural areas, the Government is funding infrastructure that the regulator already considers inadequate?

Richard Benyon: We are rolling out superfast broadband to the vast majority of rural areas. Some will not receive quite that level of provision, but to the hardest-to-reach 10% it may well be that it will be that level. For many of my constituents in not-spots, 2Mbps will be better than none. As other forms of technology, such as satellite and wireless provision, develop, they may get faster speeds. One of the most interesting statistics I heard recently was that households can double their broadband speed now by in-house improvements, which can cost, on average, £50 per household. They can double what they receive today, so one of the messages that we are trying to get out is that, alongside what the Government is spending—which is £330 million this spending review, more on top of that, and doubled, in many cases, by local authority spending—they can also help themselves at a relatively affordable cost.

Sara Eppel: Just to clarify, the 2Mbps is a minimum. In practice, they are expecting it to be 4Mbps, 5Mbps or 6Mbps for most communities.

Q421 Ms Ritchie: Can you reassure the Committee, Minister, that the infrastructure is further proofed, so, for example, should more money become available to meet the EU 2020 target of 30Mbps we will not have to dig it up and start all over again?

Richard Benyon: I advise that when you are looking at a cable, what we are using to provide the best broadband in Europe is using a very small part of that cable capacity. Of course, that will vary depending on what access people have. It is going to be an infrastructure that will last well into the future. I cannot say that there will not be other technologies that might be available at a more affordable rate in the future to assist the really hard to reach. That is the challenge that we have at Defra.

Q422 Ms Ritchie: Can you give us a commitment that the £300 million from the BBC, from between 2015 and 2017, will be spent on areas where speeds are the lowest?

Richard Benyon: This is the money from the digitisation—the claw back. We have got a commitment to make sure that we are providing broadband to those areas where there is no market. That is where taxpayers’ money comes in; that is where funds such as this will come in. We recognise that there are 10% of those places that are extremely hard to reach and, frankly, cable is not going to be the solution. We have our Rural Community Broadband Fund, for which we are having expressions of interest now, which is partly funded straight from our Department expenditure limit and partly from the RDPE. That fund is to assist those hardest to reach.

Q423 Ms Ritchie: What increase in the rural economy would you expect from the rollout of broadband?

Richard Benyon: We have got economists who are looking at the benefits and the impacts of all these kinds of work, and Sara may be able to add some facts. Just anecdotally, as I go around the country, I can see the impact; we all can in our constituencies. We can see the change that this brings about, particularly with a change that is arguably having an impact on the high street, in terms of how people shop. Perhaps this Christmas was the first one where that really was brought home to a large degree, as people were buying much more online. You are starting to see the economic potential for business in rural areas.

However, I very much see this as a social policy. This is about social inclusion just as much as it is about jobs and prosperity. For somebody who is out of work, or elderly, or who wants access to information on their benefits, or who wants to shop from home or who wants access to a whole range of services, this is going to be transformational. So, I do not think we should just look at this in terms of the growth potential, although that is absolutely vital at this moment.

Sara Eppel: DCMS is publishing, in February, a literature review, which we have just been doing, on the impact globally—what different countries have experienced from having put broadband into these areas. It is a really interesting read, and adds a lot to the evidence of what broadband has done. I cannot give you a nugget right now, but it will be available very soon.

Richard Benyon: Chair, you might be going to ask me about the mobile infrastructure project—

Q424 Chair: I am tempted to say that you are talking a lot of twaddle here, because the Minister, Ed Vaizey, came before us and did not seem to grasp how slow
the speeds are in rural areas. I know my farmers in my area are coming under huge pressure; everything has got to be done online. A lot of small businesses operate from their homes or in small locations in their constituencies. They are not competing like-for-like on speed, so the first issue is speed. You just said in an earlier answer that individual households are having to spend up to £50 each for improvements. Now, this Rural Community Broadband Fund is very generous—it is a £20 million fund—and it is jointly funded by Defra and Broadband Delivery UK, who fund £10 million as well. Apparently, each community that applies has to raise 50% of the money themselves. The question we would like to put to you is to reassure us that there is a level playing field between rural areas and urban areas, because, from where we sit, rural areas are very badly treated as regards broadband.

Richard Benyon: Sorry; I have obviously not been clear. What we are talking about is getting farmers in your area, as well as anybody who lives in rural areas, broadband. They have not had it. Britain has been lagging behind. That is why we got about spending £530 million—in fact, it will be over £1 billion—but they have not got to your farmers yet.

Q425 Chair: Tell me what speed they are going to get up Rosedale, compared to in the centre of York?

Richard Benyon: I am afraid I do not know. It is 100% in urban areas. Urban areas, by and large, are receiving it commercially, so the householder will pay for the connection, because BT has enough of a business case to offer it without getting Government money to support that.

Sara Eppel: We think fibre optic is the best way of getting the right speed to households. Of course, it may not be cost-effective within this scheme to run fibre optic broadband, arguably the most expensive and complicated method for rural areas. Is there any particular reason that you have gone for that method?

Richard Benyon: All this money is to get broadband to where there is no market for it to reach. BT and others can get a market to provide it to York or Newbury, or anywhere else, and they are doing their rollout, their Race to Infinity and all these other projects, because there is money in it for them. There is, frankly, no money in it for them in other areas; that is why Government has had to intervene and it is a lot of money. I am sorry, but I am not quite sure why you think I am talking twaddle. You are trying to get broadband to farmers in your constituency who have been told to submit their forms online and are having to take it on a memory stick down to the pub; that is crazy. This is an absolute priority for this Government.

Q430 Chair: Can I press you on two things? Do communities have to raise 50% of the money themselves?

Richard Benyon: Most of them, yes.

Q431 Chair: Is that the case in urban areas as well?

Sara Eppel: It is 100% in urban areas. Urban areas, by and large, are receiving it commercially, so the householder will pay for the connection.

Q432 Chair: Farmers Weekly, on 21 May last year, said, “Despite the large number of methods rural people can use for broadband delivery… the grant is only for fibre optic broadband, arguably the most expensive and complicated method for rural areas”. Is there any particular reason that you have gone for that method?

Sara Eppel: I just to add, the European Commission required us to do it with fibre optic, but they have now come back and said that we can use wireless as a transition technology. This is because, they recognise that in certain topographies and distance from fibre optic, actually we are going to end up with no broadband speed increase, or at very basic levels. So they are allowing us to use wireless broadband for some of our really final 10% areas. Those have been integrated into some of the plans for the Rural Community Broadband Fund. For some of them like large national parks, like Northumberland, for example, wireless might be the better solution there, because it is so big and so distant.

Q433 Chair: What about North York Moors National Park?

Sara Eppel: Quite likely. I am afraid I do not know the detail of that.

Q434 Sheryl Murray: You have basically answered some of what I was going to ask, because I have got an awful lot of farmers who live up that three-mile track. What I have managed to do for some of mine is to get them on to trials using 4G, or satellite trials, so that they can at least access online and submit their...
Richard Benyon: Am I correct in that thinking? It might take a little bit longer for them to get it. I understood that it will be used as a last resort, VAT returns and what-have-you. My question was, “Decisions on a third round will be taken in light of the response to the second round,” and “We hope to give an early indication of this.” Can you give us an early indication now regarding the timetable for round 3 of the Rural Community Broadband Fund?

Sara Eppel: Yes, we are expecting to go live in the first week of March for round 3.

Chairman: Is Ainderby Steeple in the funding.

Richard Benyon: The 4G auction is taking place at the moment. One of the ways rural Britain has been left behind is in mobile reception. One of the things we are doing is the mobile infrastructure project, which is going to see the Government financing new masts in areas where the mobile phone companies, frankly, would not consider there being a market for them. That is holding back large areas. The analogy is that it is like a street lamp: the Government is providing the structure and the mobile companies are going to provide the equivalent of the light. With the 4G rollout and with the sale of the 800MHz spectrum—which is the one that we are really interested in for rural areas because that will go through to those communities—this is a really big moment for all of us who spend most of our time driving around our constituencies trying to have conversations that keep dropping off.

Sheryll Murray: There is one specific project that I know of that is using the old television analogue mast to provide this to one of the worst areas in my constituency, so you did not need to provide a mast, so to speak. That is one way that perhaps we could utilise the rollout of 4G as well.

Richard Benyon: There is a lot of existing infrastructure, such as water towers and church steeples, although I bet churches would hate for that to be referred to as infrastructure. These all do offer the potential, as platforms, for 4G and certainly for mobile access. We are looking at everything. This is something that I think you will see announced in the very near future.

Chair: Sara Eppel, you have actually told us something quite important here, which updates what Ed Vaizey said. What we heard during Ed Vaizey’s evidence was that the Rural Community Broadband Fund will only apply to 24M bps. So, are you now saying that the European Union is allowing you to use the Rural Community Broadband Fund in those areas that can only get 10Mbps to bring them up? That is quite important and contradicts what we heard earlier.

Sara Eppel: Yes, and that is because the Commission only gave that direction really quite recently. I am not even sure we have seen it fully in writing yet. It really is in the last month.

Chair: So, was it December or perhaps January?

Sara Eppel: I think the first indication was in the middle of December, but we have not had it in writing yet. It does mean that some of the areas where wireless is the obvious solution are more likely to get the funding.

Richard Benyon: Chairman, is Ainderby Steeple in your constituency?

Chair: I think it is probably in William Hague’s.

Richard Benyon: That is where Ed Vaizey switched on the first—
have our money for their final 10%, so they need to find other communities to attach to the 90%.

Richard Benyon: Can I just clarify something? You said earlier that households are going to have to spend money to improve their own internet; they do not have to. We are just saying that households can speed up a better service for themselves now and that is a choice for them, but we will continue to do this. Also, we are working closely through the rural and farming networks and other means to communicate a way in which this can work better on the ground. MPs can play a big part here in giving leadership on this. Some county councils and unitary authorities are better than others, frankly. The important thing is, for example, having a planning official whose job it is to really assist in the rollout of this scheme as an economic measure, rather than finding planning difficulties—that is one great advantage that we are finding in best practice. Secondly, not messing with the order of the rollouts is another important thing, so saying that we want it to go to that community, rather than that community, when that might not be the best in terms of the speed of laying things. It is about working with the provider—usually BT—to make sure it is happening as quickly and efficiently as possible. MPs, councillors and other can give great leadership on this and we are trying to work with as many people as we can to make sure that is happening.

Q443 Chair: North Yorkshire could not be doing more, as a county council, as I am sure you are aware. How many not-spots do you think will be left by the end of this year when there is meant to be the 90% magic figure of coverage.

Sara Eppel: It is 2015.

Richard Benyon: 2015. There will still be not-spots. The not-spot in which I live will still be there by the end of this year, but hopefully not by the end of next year.

Q444 Sheryll Murray: Minister, you have answered part of this question, but if you could just restate what you have told us. Clearly, the Minister for Science stated that satellite broadband is "an essential means to deliver faster internet access for rural communities". We know now that the European Commission have changed the rules on using satellite broadband. Could you tell me if you know how many schemes you have got in the pipeline?

Richard Benyon: I met with satellite providers and I am sure it is a technology that can work. We know it works already in certain parts of the world, including here. Quite how much, at this stage, of that final hardest-to-reach element will be delivered by satellite or wireless, which is another important provider, I cannot say. Have we assessed yet, Sara?

Sara Eppel: I do not think anybody has bid in the Rural Community Broadband Fund rounds 1 and 2 to provide satellite. There are probably communities who can only get satellite and therefore they may come in under round 3. The other thing to remember about satellite is that it is fine for doing email and it is fine for going online, but it is not good for gaming and it is not good for anything that does not want a delay, because there is a delay between where you are on the ground and the satellite. That actually can be quite a major problem for certain types of businesses, for example. It could play a really important part for those very, very remote communities, but it would not be our preferred choice if, actually, there is a chance of fibre optic and wireless doing the job better.

Q445 Sheryll Murray: Is it fair for the Government to insist on digital by default policies for people who have not got access to broadband?

Richard Benyon: That has been one of the absurdities of recent years and, frankly, one of the reasons that has really pushed us into spending this vast sum of taxpayers' money. As I was saying to the Chair, Government was asking farmers, for example, to deliver their forms online but very often they did not have the means to do that and that is why we are doing this. In other areas of service provision, digital by default is right, because it goes with the grain of human nature, it is cheaper and it is going to be just how we are. There is still a role in rural proofing, as well as in other areas, to keep reminding people that not everybody has access or has the skills to use Government services digitally. We have to remember that, for quite some years, there will be the requirement to remember that there is a cadre of people who cannot.

Q446 Chair: The CLA mentioned that if they have not got broadband and they cannot submit their tax return, they have been told by Her Majesty's Revenue and Customs that they should use a third party. As you know, Minister, that will push up the costs hugely. Is that fair?

Richard Benyon: No, that is why we are rolling out broadband—because it is not fair and it has not been fair for too many years. That is why we are spending hundreds of millions—

Chair: It will still be three years before it is in place.

Richard Benyon: We have only been in Government for less than three years. I hope you feel that this is an absolute priority for us. Frankly, we inherited something that was not fair and we are trying to make it fair. I do not know how I can say it any more clearly.

Q447 Dan Rogerson: I would just like to refer to satellite solutions. There are issues around speed but more important to me are the issues around costs to the end user. There is a standard tariff with the sorts of technologies that we would understand, whether they be wireless or fibre-optic-based. However, schemes that I have seen that are satellite-based are more expensive and, also, there are much tighter limits on data, because it is a more expensive method. Given that there is a Government subsidy going in to making sure that it reaches everywhere, has the Government put any consideration into making sure that there are standard tariffs across the technologies—a small amount of cross-subsidy to have a standard service—or are we saying that if you are on satellite that is tough, and you are going to have to pay more and get a poorer service in terms of the amount of data?

Sara Eppel: Because we have not yet got the satellite offer in the publicly-funded programme, the short
answer is: no, we have not developed a plan to deal with that in terms of cost. It is something that we need to look at.

Q 448 Dan Rogerson: I would welcome it if you did, because there could be problems in saying to people, “This is your solution. That will work for you,” and they find themselves disadvantaged.

Richard Benyon: There is a wider point related to that, which is, of course, that a lot of community broadband schemes—we want to encourage them; there are fantastic examples and we have all got them in our area—can be expensive. You do not want to stifle that ingenuity and that community spirit, yet you do not want to leave people with a more expensive solution than they would otherwise have got if they had waited. It is just making sure they have got all the facts available and then giving them the support they need, if they continue to want to roll these out.

Q 449 Dan Rogerson: I am just particularly concerned when we are using public money that there is a fairly standard level, if not in speed then in terms of cost and access to data. Can you respond to that?

Richard Benyon: It is a very good point. I am not sure we have got a solution for that yet.

Q 450 Sheryll Murray: Talking about the mobile infrastructure project, the Chancellor announced at the Conservative Party conference in 2011 £150 million for investment in this. Is there an underspend in that at the moment?

Richard Benyon: It has not been signed off as we speak. I think it is going to be signed off—

Sara Eppel: Tomorrow.

Richard Benyon: Tomorrow; there you are. I had a meeting with the chief executive of Vodafone UK on Friday for an update on this. It is going to happen. It is going to be targeted at those areas where it is most needed and the market could not otherwise provide. It will provide up to 60,000 premises across the UK to compete with the not-spots. It will address the total not-spots along the initial 10 key road routes that suffer from the worst coverage. This is going to start to make a big difference in terms of the economic activity, as well.

Q 451 Sheryll Murray: Moving on to rural transport, how is Defra taking forward issues raised in the 2012 Community Transport Association report?

Richard Benyon: I meet with Norman Baker and make sure we are joined up at a ministerial level. There are a number of areas of funding on which DfT, for obvious reasons, take the lead, but Sara’s team works very closely with his officials to make sure it is being rolled out successfully. Where they have worked, and perhaps pump-priming took place in the past, we want to find innovative ways for that funding to continue. There is very close working. One thing that springs to mind is Wheels to Work, which, for the unemployed in rural communities, has been an absolute lifeline. It is about trying to find new solutions to make sure that that good idea continues. Sara, can you think of more examples?

Sara Eppel: The Community Transport Association report highlighted lots of best practice, and there is some amazing and very impressive voluntary action in communities to provide a kind of bus service. What we were trying to do was really highlight those, so other areas could just copy, and DfT funding went in to supporting that. It was really trying to draw up some of the best practice.

Q 452 Sheryll Murray: I was quite surprised to hear, when we spoke to another witness, that Cornwall was one of the few local authorities that did not invest any money in community transport schemes. Clearly, there are other schemes that they would be using, like Wheels to Work, yes?

Sara Eppel: As far as I am aware. They all have access to the funding. It is their choice if they choose to bid for some funding to support their schemes, but maybe they have not done already.

Richard Benyon: The idea that this can be driven by too great an extent by Whitehall is of the past. I know that we have all seen buses driving around rural areas filled with nothing but air, and a more bespoke, demand-led service is what most people want. That is why there is some really interesting work coming out of local authorities, some local communities and some social enterprises. It is about drawing best practice together and making sure that, where there is Government funding, it is used really effectively to promote that. I think DfT are being very canny about how they are taking this forward.

Q 453 George Eustice: I wanted to ask about the rural growth networks. I know you have had five pilots running in the last year or so. I just wondered what lessons you have learned from those pilots, whether there is anything you would change and whether you intend, now, to roll this out more widely.

Richard Benyon: I would love to roll this out more widely. It is quite a lot of money. It was delivered as part of the rural economy growth review. We had a lot of expressions of interest, but we were very clear about what we wanted to achieve. We wanted a fairly quick turnaround and to create lots of jobs; it is 3,000 jobs, we think. It is about looking at the untapped resources that exist in certain areas. For example, we identified women as being a huge possibility, if they were given the right support to set up and start a business. We found some money from across Government to assist us with that. One rural growth network in Wiltshire identified the military family—people leaving the military or their wives or spouses—where there is a huge wealth of experience and ability. Providing some training and the premises that they need and the digital connection, and all the other things that come with it, is going to be a fantastic support for that area.

Q 454 George Eustice: Is funding the limiting factor then? I know there was £165 million, originally.

Richard Benyon: Yes. All Ministers would like to see more of this right across the country. Yes, funding is a limiting factor. We also want to make sure that we are learning as these do get up and running, and the drawdown underfunding is underway and that it is
really good value for money and it is delivering jobs. There may be the chance of further networks in the future, building on the best practice.

**Sara Eppel:** We have started the evaluation of the pilots. We were running it at the time that they are rolling out. It is early days. I could not say that we have got key insights at this stage. Just to clarify, it is only £15 million for the rural growth networks; the remainder of the £165 million is covering the rural economy grant, training schemes, tourism, money and broadband. So, it was a bigger package.

**Q455 George Eustice:** Some of the evidence that we had from Cumbria Council was that although they said it was good once they got the Section 31 grant, before that it was quite a bureaucratic process and quite time-consuming. Is that a fair criticism?

**Sara Eppel:** We gave each rural growth network six months to develop a business plan because, initially, it was a fairly sketchy outline of what they had planned. They had to get match funding. They had to develop a full business plan that met all the requirements. We also provided them with £50,000 to help them employ somebody to do that, if they did not have in-house capacity. We tried to make it as easy as possible. Some of the money is coming from the Rural Development Programme for England—not the bulk of it, but some elements—and that is European money, and it does have more of the checks and balances, unfortunately, of the European programme, so it can make it a little bit complicated. In many ways, handing over the money was quick and easy under Section 31 of the Local Government Act. Lord Heseltine actually commented that we used it and that was good, because it does give them the money and it does not attach strings to it. Clearly, they have got a business plan now and they are looking to deliver on it, which we are really pleased about.

**Richard Benyon:** I would not want the Committee to think that that is the only show in town. In addition to that, there is the broadband, the Farm and Forestry Improvement Scheme, rural economy grant scheme and the tourism money we have managed to finance through the growth review, which is really important. There has also been work on skills and knowledge transfer. All of these together, in a time of financial constraint, are starting to make a difference in the rural economy.

**Q456 Chair:** We are going to discuss this in a moment, but these funds that are from the Rural Development Programme for England. There is obviously potentially a transitional period between those that are currently—LEADER programmes, for example—in areas like Filey. Will the Government make up the shortfall in the interim if the budgets and the CAP reforms are delayed? What will happen?

**Richard Benyon:** There have been conversations about this, as you can imagine. I am assuming that the existing one will be rolled over for a period of time. We would have to do that because there are so many ongoing schemes that are legally binding and signed off. That would have to be the transitional arrangement you are talking about.

**Sara Eppel:** We have to have transitional regulations, which have not yet been written. We believe they are going to be a continuation of the current arrangements. In terms of your specific question about LEADER, we have actually just written out to the LEADER groups to say that we are giving them basic funding so they can hold on to capacity—a member of staff, for example. This means that they can continue to close the current programme and to develop the next programme. It is also so that we can evaluate the effectiveness of the arrangements at the moment with them, because we need to review how well they have all performed over the past seven years.

**Q457 Chair:** Is that purely RDPE money? Is it not Government money?

**Sara Eppel:** That is in the Rural Development Programme for England money, yes.

**Q458 Neil Parish:** It is about pump-priming money, really. It is estimated that the community groups are bringing forward a community Right to Buy scheme, estimated at about £40,000. What is Defra doing to support the local rural communities that want to take advantage of measures such as the Community Right to Build, Bid and Challenge the developing neighbourhood plans, but may lack the wherewithal to do it? Some parish councils are a reasonable size. Some only meet every couple of months. Some may have only a part-time clerk. How do we help those when they still could do with housing?

**Richard Benyon:** These are measures that are the chief responsibility of other Departments, but we work really closely to make sure that they are as effective as possible. The Community Right to Buy and those sort of community assets are incredibly important; they can really be a great engine for community cohesion where people come together and buy a pub or a village shop. I come across areas of breathtaking ingenuity by rural communities where this is happening. Your question is about trying to make sure it is as easy as possible for these communities to do that. Neighbourhood planning is a different one and it is quite expensive at this stage. Sara might be able to give more details about what we are doing with DCLG colleagues to make sure that the Localism Act is effective.

**Sara Eppel:** We already support the Rural Community Action Network, the network of 38 rural community councils, and ACRE, which is the managing body of that, has a great deal of expertise on neighbourhood planning. Certainly, their expertise is something that has provided support to those councils that are willing and interested to pursue it, so they are using the knowledge and the know-how to make these new arrangements for the planning. The other thing is that Communities and Local Government is doing a Pathfinder project, trying to evaluate how they are working and really to examine, in a lot of different types of areas, how they work in practice.

**Q459 Neil Parish:** You could have a village of, say, 2,000 to 3,000 houses and the parish levies a rate on those houses. Quite a reasonably-sized parish council
knows to fund a full-time clerk and do these types of projects. If you have got a village that has perhaps 100 or 200 houses, it still might need a little scheme for six houses or 10 houses for the local workers, because there are no affordable properties. It is how we help them with a little bit of money just to get the scheme off the ground, and that is what I am particularly interested in.

**Richard Benyon:** Capacity-building is something that has to happen at a local level. Local authorities buying in to the whole localism agenda and making sure that there is a political imperative at that level is a great way forward. As a little example, I will give one of the things that I found most frustrating in the past. There was huge enthusiasm in a village for a parish plan, or community plan as they are now called. As part of that, there would be a design statement saying, “If we are going to have more houses, we want them to look like this. We want them to be in keeping with the character of the village and have these kinds of features.” After a few challenges from a few developers, their status as supplementary planning guidance was removed for a farm that have much more importing status. In fact, local community, with the right support and capacity-building through organisations like the community councils, through good local leadership and through the local authorities, can make this a reality. People want to get involved then because they can actually make a difference in their local community, and that is why localism has to be made to work.

**Q 460 George Eustice:** I just want to make a related point that also overlaps with DCLG to a degree, and that is the Home on the Farm proposals, which were around in the early days of Government. I know the Planning Minister made some announcements last week saying that they wanted to loosen that up. Could you just clarify: to what extent is that going to be something the Government is chivvying local authorities to do, or to what extent will it be centrally-prescribed?

**Richard Benyon:** It is an opportunity for new housing in an existing footprint, which resolves a great many difficulties when housing happens in or around the countryside. Home on the Farm is an opportunity, but it needs to be seen in the context of business use for redundant farm buildings as well. We all can see in our heads examples in our constituencies of farmyards where there are more people working now than there were ever working at the height of agricultural employment in the 19th century. That is exciting and some of them are in agricultural or rural-related industries and some of them are in creative industries and others. It is in that context that we want to see housing work. I just want to give our colleagues in DCLG as much support as they need to make sure that this happens and that it is not stifled locally. It can be a great help for a farming business to develop buildings that are no longer suitable for agricultural activity.

**Q 461 Ms Ritchie:** Minister, what changes do you expect to be made to Axis 4 of the Rural Development PE as part of the CAP reform process? What are you doing to ensure there is not a loss of engagement, particularly in terms of the local action groups, during the hiatus that accompanies new funding periods?

**Richard Benyon:** LEADER will continue under the new RDPE. It is one of the few things that we are pretty certain about. We think it will continue to be 5% of the Rural Development Programme. “5% of what?” is the big question we are all asking ourselves as the moment, but we want to make sure that it is still an effective way of unlocking potential in rural communities for business use. I am a great fan of LEADER and there are some wonderful examples of LEADER groups. We do sometimes over-analyse, when we audit, what we are doing; okay, it is public money and there are legal requirements around European money, but also we can continue to work really hard to make it easier for people to apply. The good news is it is going ahead under the future programme and we have just got to make it relevant.

**Q 462 Chair:** Did you say there was match funding?

**Richard Benyon:** Match funding for LEADER? LEADER is the European funding in total, and the DCLG as much support as they need to make sure that it is not stifled locally. It can be a great help for a farming business to develop buildings that are no longer suitable for agricultural activity.

**Q 463 Chair:** Are you aware that we have lost the organiser for the most successful, apparently—the North Yorkshire Moors, Coast and Hills LEADER programme?

**Sara Eppel:** I heard, and it is very disappointing.

**Q 464 Chair:** Were you asked if there was any money in any pot?

**Sara Eppel:** Where we asked in advance, no, but the LEADER groups had always said it would be an issue, and we have written as soon as we could, which I think was last week. Hopefully that will reassure the other LEADER groups that there will be some base funding.

**Q 465 Neil Parish:** Bluntly, what criteria do you use to judge the effectiveness of the Rural Communities Policy Unit?

**Richard Benyon:** It might help the Committee if I just explain the rationale of why we set it up, and then I hope you will judge that it has been the resounding success that I feel it has been. We wanted rural policy to be close to Ministers. We all came from rural backgrounds and rural constituencies, and we wanted to drive policy from within the Department. We felt that, by setting up a unit that drew in some of the expertise from the Commission for Rural Communities and expertise from elsewhere, within Defra and without, we could set up something that was going to be very effective in driving forward our policies on such things as rural proofing, broadband and others. It has been a really good experience for
Ministers to be able to call on expertise, not just in service provision and delivery, but for economists and statisticians elsewhere to be able to say, "This is not working. We have got to do something to make it better for this activity or that activity in rural communities." Whatever happens in the future, this kind of policy advice for Ministers—keeping it close and within the Department—is going to be the future.

Q466 Neil Parish: I know the last Agricultural Minister, Jim Paice, set up a farming network group—
Richard Benyon: Him and me.

Q467 Neil Parish: Including you, sorry; I beg your pardon. This is actually feeding in to the Rural Communities Policy Unit, is it?
Richard Benyon: Yes. The Rural Communities Policy Unit oversees that new initiative. That came out of an experience I've very strongly felt in the past, the old— I cannot remember what they were called. They were very much agriculture-based.
Sara Eppel: It was Don Curry's commission.
Richard Benyon: Yes. These groups went out and about in the country and Ministers formally met them. We wanted to extend it beyond agriculture and make sure that it was across the rural economy. We have now got it right across England and it is a two-way communication tool. Not only is it for us to make ourselves accountable to them when we go around the country, but it is also for us to say, "We are thinking of doing this, what do you think?" It is also for them to say, "This is working," or "That is not, and we suggest you make these changes." It is a really open and unbureaucratic system of communication.

Q468 Neil Parish: That I very much welcome because it is about making sure that these networks are able to actually feed in and you are actually listening; otherwise you get caught in the bureaucracy.
Richard Benyon: They are all really intelligent and informed people. What I am absolutely conscious of is if this became a bit of rural wash, they would walk. It has to be a really effective communication system where they feel they are getting something out of it and we as Ministers feel we are, as well. Just to take the example of your area and the floods, not only do we have the communication we have through the usual channels of local authorities and local MPs, but we also have the rural farming network saying, "We have got some serious problems in this particular area and you should be aware of it". It has been invaluable.

Q469 Dan Rogerson: In this room, we are all very much aware that there is poverty in rural areas and there is social deprivation and people living in difficult circumstances. Do you think that the unit should have a specific policy focussed on reducing rural social deprivation?
Richard Benyon: I made it very clear right from the start that that is something that is one of the two key parallel streams that guided the creation of this unit. On the one hand, we accept that if you are elderly, sick, out of work, mentally ill or just on a low income and you live in rural areas, the problems you face are exacerbated by rurality. Therefore, we want to make sure that service delivery for those people focuses, like a laser beam, on the problems that they face. Parallel to that is all the growth stuff that we have been talking about, but an absolutely fundamental part of what we are talking about is making sure that there is a much more equal delivery of services to the most needy in rural areas.

Q470 Dan Rogerson: Another area that has been raised with us by other witnesses is this issue around small schools and the future for those under changes to the funding formula in education. What work have the policy unit undertaken in ensuring a rural proofing of that funding formula that the Department for Education has been working on?
Richard Benyon: There has been work at a ministerial level and there has been work through the RCPU.
Sara Eppel: It is one of the challenges, I have to be honest, and I do not think we are at the end of the roads with it. There is a lot more to do. Ministers have talked to each other, and we have talked to the officials. There is much more work to be done.

Q471 Dan Rogerson: That work is ongoing? You have not conceded defeat on this.
Sara Eppel: Yes.
Richard Benyon: It certainly is.

Q472 Dan Rogerson: Excellent; that is good to know. In terms of carrying out the work more generally on rural proofing, of which that is an example, when will the toolkit be published so that we know all the other Departments are aware of how they will be held to account?
Richard Benyon: I have it here. This is the abbreviated version. This is just a guide for officials in different Departments about how to approach it. There is a lot that is ongoing in terms of active rural proofing of policy areas, service provision and the Health and Social Care Bill—all of these other areas of Government. Then assistance is provided; Sara can give you some examples of how we are providing people actually out on the frontline about how they can deliver particular areas of Government policy.
Sara Eppel: Yes. In terms of the tools that you mentioned, as the Minister says, this is the little take-out, as it were, for people—officials probably—to take away from the workshops that we are about to run with them. We actually had some scheduled for this week that we have had to move, because the Departments have had clashes. We are also developing a web tool, so that we have different levels of information that people can access through different routes. We have already done the local-government-level toolkits with the Local Government Association, and we have done a health toolkit with the Department of Health and doctors and commissioning bodies. What we would like to do is, basically, bring those together so that there is a cluster of different toolkits, depending on the profession, because there are some specifics where people like to see some examples of practice.
Q473 Dan Rogerson: So it exists, but you have not had workshops yet. Does that mean it is not with people yet, or will they have been sent copies?
Sara Eppel: It is not with them yet. The workshops are really to test it: do we need to refine it? Are there other questions they have got that we have not covered?

Q474 Dan Rogerson: So a draft is in existence, but there is work to be done to actually roll that out across Government?
Sara Eppel: Yes.
Richard Benyon: We are happy to leave it with you.

Q475 Chair: We had a report published in February 2011 that we think was very well received on uplands. In the Department’s response, the Department promised to give regular rural statements. Have we had one yet?
Richard Benyon: We tied in a lot of the uplands statement into our rural statement, which was a cohesive, and I hope coherent, drawing together of a number of different strands. Since then, a number of different things have happened in relation to uplands areas. We want to make sure that we take forward what was said in that—that as many farmer as possible, for example, are accessing uplands Environmental Stewardship and Agri-Environment schemes and that we are providing the service provision that we were talking about. In terms of a regular update, what assurances can we give the Committee?
Sara Eppel: It is not my policy area, so we would have to write to you on that one.

Q476 Dan Rogerson: It would just be interesting to know when we might get a rural policy statement and what you, Minister, would like to see in it.
Richard Benyon: As I say, we published the rural statement in September of last year, which took forward and explained where we were on many of the uplands issues. This is the definitive focus on what we are all about.
Chair: We thank you most warmly for being so generous with your time and participating in our inquiry, Sara Eppel, and you, Minister. Thank you very much indeed.
Written evidence submitted by the Plunkett Foundation

Overview

The Plunkett Foundation is responding to the Environment, Food and Rural Affairs Committee inquiry into Rural Communities for two main reasons:

1. As the national centre of expertise on rural community enterprise including community-owned village shops, co-operative pubs, community food enterprises and wider forms of community enterprise.
2. As an organisation founded in 1919 which has been committed since this time to promoting and supporting community-owned enterprises in rural communities as a way of improving the social and economic conditions for rural people and the communities they represent.

About the Plunkett Foundation

The Plunkett Foundation (www.plunkett.co.uk) helps rural communities through community ownership to take control of the issues affecting them. The Plunkett Foundation’s main activities are:

1. The only national organisation supporting the network of 282 community-owned village shops across the UK. Plunkett provides a range of services to support communities to establish a community-owned shop and to ensure their ongoing viability. The number of community-owned shops is growing by around 20 each year and now save around 5% of commercial village shop failures that would have closed otherwise. They are successful businesses with only 13 of the 295 community-owned shops to have ever closed over a 20 year period. Plunkett provides an online network (www.communityshops.coop) in addition to developing a group purchasing scheme for community-owned shops for energy, insurance, credit and debit card facilities, telephone and broadband and much more.
2. Supporting wider forms of rural community enterprise such as co-operative pubs through a range of support programmes. Most notably, Plunkett leads the partnership of organisations delivering a UK wide helpline and series of events for the Big Lottery Fund through Village SOS (www.villagesos.org.uk).
3. Supporting community food enterprises which are social enterprises with an interest in local food. Through leading the Making Local Food Work partnership (www.makinglocalfoodwork.co.uk) which is funded by the Big Lottery Fund, Plunkett has helped to support over 1,350 community food enterprises across England.
4. Plunkett advocates community-owned enterprises, co-operatives, mutuals and social enterprises as the most effective solutions to the issues rural communities are facing internationally.

We are strategic partners with the Cabinet Office (through the Social Entrepreneurship Partnership) and we also lead the Defra Social Enterprise Strategic Partnership. Plunkett is also represented on the Rural Coalition and its Chief Executive is a member of Defra’s Civil Society Advisory Board. Plunkett is making preparations to celebrate the United Nations International Year of Co-operatives in 2012 (www.2012.coop).

Summary of our Response

A summary of the Plunkett Foundation’s response:

1. Better relationships with a greater number of stakeholders need to be developed by the RCPU.
2. The transparency of the RCPU needs to be improved.
3. Understanding of the RCPU priority “Services” needs to be deepened.
4. It’s time to rethink rural proofing.
5. More effective funding needs to be developed which works better for the needs of rural communities today.
6. Uplands is a wider rural development issue, not just a farming issue.

Full Response

1. Building better stakeholder relationships

1.1 In the inquiry document you have asked for evidence on the effectiveness of the RCPU’s engagement with rural communities and whether the RCPU has done enough to ensure that the voices of the hardest to reach can be heard. The Plunkett Foundation feels that the RCPU currently relies too heavily on a too small number of rural stakeholders to influence their policy and practice. Plunkett would welcome a stronger stakeholder relationship formalised through an agreement on what can be expected of both the RCPU and Plunkett. This approach would be beneficial for a wider range of rural stakeholders and would help improve both engagement with rural communities and reaching harder to reach people and communities.
1.2 Improved communication would be welcomed from the RCPU. Of particular benefit would be regular quarterly meetings plus a newsletter updating rural stakeholders on the work and interests of the RCPU. We would also welcome the opportunity to be able to call meetings with RCPU team members on specific issues as these arise.

1.3 Other parts of government, such as Number 10 and the Department for Communities and Local Government, talk about issues of concern to rural communities, such as shops, pubs and post offices closing, at times to a greater extent than Defra and the RCPU. Plunkett would like to see the RCPU talking more about stated priorities such as helping communities to save their local shop, pub and post office and rural broadband and this would in turn help increase the RCPU’s visibility within rural communities.

1.4 While Plunkett acknowledges the effective work of the role of the Rural Advocate, we feel that there are a range of individuals and organisations that collectively make up a group of rural advocates. This grouping has extensive experience and in depth understanding of rural issues and where possible the RSPU should draw upon this resource.

2. Improving RCPU transparency

2.1 The RCPU needs to significantly improve its transparency to ensure more people are better aware of its existence, its priorities and work programme. This can be helped through actions already stated such as better communication. Plunkett specifically would also welcome greater transparency on RCPU’s work on areas of specific interest to our work, such as the "rural Big Society".

2.2 Greater transparency relating to the RCPU’s role in delivering stated government priorities which have an impact on rural areas such as Localism, the Big Society, growth and the green economy would have significant benefits. This would help support the work of rural stakeholders in influencing the policies of other government departments which connect to the RCPU’s priorities.

3. Deepening understanding of rural services

3.1 “Services” is one of the five stated priorities of the RCPU. Currently this priority does not reflect the full spectrum of rural services from public services (health and social care, transport etc) to private services (shops and pubs etc) to community run services such as community-owned shops, pubs and post offices.

3.2 Plunkett feels strongly that the level of “services” available in rural communities determines its ability for future economic growth. Therefore the RCPU would benefit by focusing on how rural services can be retained within rural communities by exploring a wider range of delivery models. Clear policy interventions are needed and are currently lacking.

3.3 Connected to the “Services” priority but also an issue that cuts across the work of the RCPU and Defra more widely is the focus on a too narrow enterprise ecology for delivering departmental priorities. While the public sector and private sectors undoubtedly have huge roles to play, the RCPU will increasingly need to understand the range of other enterprise forms such as community-ownership, community enterprise, social enterprise and co-operatives and their ability to deliver services and other RCPU priorities in areas where the public and private sector struggle.

3.4 It is clear that the five stated RCPU priorities are heavily interconnected. To deliver the RCPU, and Defra more widely, will need to avoid silo thinking and silo working. One example is that responsibility for the Big Society falls within one Defra minister’s responsibilities while the heavily connected agenda of Localism falls within a different Defra minister’s list of responsibilities.

4. Improving thinking on rural proofing

4.1 The process that has been used for a number of years for rural proofing needs to change. This process starts with the presumption that the RCPU (or previously the Commission for Rural Communities) were the rural experts. However it is clear that some other government departments for some agendas have developed good levels of rural understanding (for example, Localism and the connected Community Rights policies, Post Office mutualisation etc) which the RCPU does not always have.

4.2 The RCPU need to understand and acknowledge the role that wider rural stakeholders have in ensuring wider government policy meets the needs of rural communities. Plunkett and other rural stakeholders have worked extensively on influencing the Localism agenda, Post Office mutualisation and a wide range of other government policies for example.

4.3 The RCPU needs to better connect with government priorities that have an impact on rural communities. Failure to connect with these agendas can leave both RCPU on the sidelines and the policy weaker from the point of view of rural communities.

5. More effective rural funding

5.1 The Rural Economy Growth Review focused the majority of support towards what we have previously called narrow enterprise ecology. The RCPU and its policies need to consider how growth happens in remote
rural communities and the role of community-owned enterprises, social enterprises and co-operatives have in making growth possible.

5.2 The RDPE was developed in the main almost 10 years ago and currently is not working for many rural communities. For example, only a handful of communities saving their village shop have been supported through Leader. Therefore, while the uncertainty over the context and timetable is a concern, we feel that it is better to take the time to get it right rather than having an ineffective policy in place for seven years.

6. The uplands is more than just farming

6.1 Farming is undoubtedly very important to uplands communities. It is an ongoing frustration of the Plunkett Foundation that uplands are seen solely as a farming issue not a wider rural development issue.

August 2012

Written evidence submitted by Hastoe Housing Association

1. Hastoe welcomes the new approach of the RCPU and the focus on rural housing. We have found that this unit provides a specialist resource and understanding of rural issues that, if lost, would be difficult and costly to replace. It is the one part of government that really understands rural issues, in their broadest sense.

2. High quality evidence and research into rural issues, particularly rural housing, is vital in ensuring appropriate support is given to communities. The work of the RCPU has been at the forefront of this.

3. The RCPU has been effective in engaging with local communities and brings a direct voice to policy making. It is always difficult to ensure the voices of the hardest to reach are heard—this has been at least partially achieved.

4. New policies and funding streams should always be “rural proofed”. In terms of housing an external review of this could be achieved though, for example, the National Housing Federation who have experts in rural housing.

5. Rural advocacy remains an important role and increasingly rural economic and housing issues need to be addressed.

6. Grant funding for rural issues remains vital, to stimulate rural economies and to safeguard rural communities. Within housing, it is usually more difficult to achieve cross subsidy and other arrangements to reduce grant requirements. It is also important to recognise that we may be investing in communities which may not seem immediately viable—but will be following investment.

7. A new Rural Policy statement will be welcome. This should include an explicit recognition of the interwoven factors affecting rural communities, with a strong emphasis on the successful role of high quality, affordable, housing for local people.

8. It is very good to see that housing is a key stated priority for ministers.

August 2012

Written evidence submitted by East Riding of Yorkshire Council

The Rural Policy & Partnerships Section at East Riding of Yorkshire Council would like to contribute the following brief thoughts to EFRA’s Inquiry into Rural Communities. We have not attempted to respond to the questions which have been put forward on the web-link, but hope that the comments are nevertheless useful.

1. The East Riding of Yorkshire Council and the East Riding of Yorkshire Rural Partnership are developing a new Rural Strategy for the East Riding. The Rural Strategy, which will be launched in the Autumn, aims to identify priorities for local rural action against a backdrop of challenging times for rural communities and economies. This Rural Strategy has not been developed in response to “higher level” rural strategies/ frameworks but reflects the importance given to rural issues in the East Riding of Yorkshire. The East Riding of Yorkshire Rural Partnership—which oversees delivery of the Rural Strategy—would be pleased to work with Defra’s Rural Communities Policy Unit to deliver shared priorities, including housing, broadband, services, transport and fuel and to drive rural economic growth including delivery of the socio-economic elements of the RDPE and the package of measures announced in the Rural Economic Growth Review. East Riding of Yorkshire Council and the Rural Partnership look forward to receiving Defra’s government-wide Rural Statement, and will look to reflect it in the Rural Strategy as work is rolled-forward. The priorities in the East Riding of Yorkshire Rural Strategy broadly mirror the top 10 priorities identified by the SPARSE Group.

2. It would be helpful to see more priority attached to understanding how EU rural funding frameworks are going to play-out at the local-scale (including levels of delegation to local decision-making).
3. It is unclear as to what extent policies are currently rural-proofed across Government. This is evidenced by the way solutions are being implemented (e.g. rural broadband—what is better—universal reach at slower speed vs. narrow reach at high speed?).

4. Communication between Defra and local rural communities is critical if rural policy and delivery is to be effective. The new Rural and Farming Network may go some way to facilitating this—but Local Authorities are in-touch with their communities and well-placed to assist Defra with this task. The occasional workshop for rural practitioners in Local Authorities may help to strengthen the relationship between the two for mutual benefit.

5. There are huge opportunities for exchange of best practice and innovation in rural development which are not being fully exploited. There is similarly much skill and experience amongst rural practitioners which could perhaps be better utilised. Again, the new Rural and Farming Network is in a position to work with Defra on these matters. Local Authorities and locally-based organisations can drill-down and play a part in enhancing this exchange.

6. We understand that Defra does facilitate a “round-table” with rurally-focussed Local Enterprise Partnerships. We are also aware that a number of Rural Growth Networks have been identified (indeed the York, North Yorkshire and East Riding LEP bid unsuccessfully into this Programme). We know that some work has been done recently on the rural dimension of Local Enterprise Partnerships generally. At this stage, however, it is not clear to us how the rural elements are being taken forward through this process overall, and how rural development will be incorporated where Rural Growth Networks do not exist.

August 2012

Written evidence submitted by Cumbria County Council

1.0 Introduction

1.1 Cumbria is the second largest county in England and is a predominantly rural county. Over half (51.2%) of the county’s population live in rural areas.¹ The county includes the district area (Eden) with the lowest population density in England, and the greatest geographical barriers to services in England (IMD 2010).

1.2 The county is renowned for its mountains, lakes and rural landscapes attracting over 40 million visitor days supporting over 32,000 jobs and providing £2 billion of expenditure annually (Cumbria Tourism 2011).

1.3 The county’s natural assets bring many benefits but also provide many challenges in ensuring people receive the services and support to meet their needs. Cumbria County Council welcomes this opportunity to contribute to the Committee’s inquiry into rural communities.

2.0 Role of the Rural Communities Policy Unit (RCPU)

Cross—Government influence

2.1 It is essential that the RCPU champions the recognition of rural need across Government. The ability of the Unit to influence and challenge across every Government Department is vital. There are, so far, few examples where it can be concluded that RCPU influence has resulted in changes to policy.

2.2 One recent example of effective cross-departmental working by DEFRA is the development of Rural Growth Network proposals alongside BIS. Departments where the RCPU should be focusing its attention include DfT, the Department of Health, and DCLG.

2.3 We expect the RCPU to provide evidence, knowledge, best practice and research to support Local Authorities and other local bodies in addressing issues which impact on rural communities. This requires a robust assessment of need, and clear demonstration of how this is being used to influence and challenge policy.

Engagement

2.4 The Commission for Rural Communities provided a local perspective and recognised the role of Local Authorities and engaged with them. RCPU’s work engaging with national umbrella bodies is not a substitute for local engagement as different rural communities have different needs.

2.5 The RCPU needs to demonstrate how it is proactively seeking the views of the hardest to reach voices in rural communities and how it is meeting the requirements of the Public Sector Equality Duty based on an assessment of need.

Rural proofing

2.6 Rural proofing has to be consistently and robustly implemented by Government Departments and local delivery bodies if it is to be successful. Therefore, effective rural proofing is reliant on the ability of DEFRA to influence and embed this approach across all Departments and local delivery bodies.

¹ DEFRA Rural Urban classifications and ONS mid-year population estimates 2010
2.7 Cumbria County Council integrated rurality into the Equality Impact Assessment framework some time ago and this ensures the impact of decisions on rural communities is considered during development stage.

2.8 The scale and potential impact of the Government’s current programme of reform means that it is important that effective rural proofing of these policies is carried out in a timely manner. For example, has the Government identified implications from the programme of welfare reform for people living in rural areas, eg the prioritisation of internet-based claim and advice systems?

Independent Advocacy

2.9 The Council set out its concerns about the loss of an independent advocacy role in its response to DEFRA earlier this year. The RCPU within DEFRA cannot replicate the role of an independent rural advocate in highlighting issues and stimulating debate to influence and challenge Government. This role could be a focus for the external review of rural proofing.

Policy Focus

2.10 Housing, broadband, services, transport, fuel, socio-economic funding programmes, and Rural Economy Growth Review measures do require focus from the RCPU. However, these are not issues to be dealt with in isolation from each other. A more strategic approach from DEFRA, which focuses on the sustainability of rural communities and on ensuring those in rural communities who need support are able to access it would be welcome.

2.11 The policy focus should also recognise the value of rural communities as those who maintain and protect the natural assets for the country—including the landscapes which attract tourists and business, and the natural resources like water and food. The needs of those communities in respect of transport, broadband, housing, fuel and other policy areas should be considered by the Government as supporting the maintenance of many of the country’s national assets.

2.12 For example, a focus should be placed on improving the life chances of young people in rural communities to ensure that they are not disadvantaged by lack of opportunity. Out-migration of young people is a major issue for the sustainability of many rural communities—education, employment, and housing opportunities are key to retaining and attracting young people to live in rural areas.

2.13 A focus on poverty should also be a part of a strategic approach from RCPU. Whilst overall levels of poverty are lower in rural areas, the challenges faced by families in rural communities living in poverty can be more intense. Higher property prices, relatively poor access to services and employment, poor or no broadband connectivity, high transport and fuel costs, and fewer families in a similar situation that may be able to provide peer support may all combine to create a different experience of poverty than that felt by families in more urban areas.

2.14 The RCPU should support local areas in addressing issues resulting from the ageing of rural communities. 55.1% of those aged over 65 in Cumbria live in rural areas. The service and resource implications for supporting people to live independent and healthy lives, and providing services to support those who are vulnerable, are an increasing challenge for Local Authorities.

2.15 Reducing CO2 emissions and mitigating the potential effects of climate change should be integrated into the rural proofing approach. The resilience of rural communities should also be on the RCPU’s agenda.

Measuring success

2.16 The RCPU’s effectiveness should be measured using a set of indicators of a truly sustainable rural community, including sustainable development measures, education, health, accessibility, rural GVA, rural deprivation, and feedback from rural stakeholders.

3.0 Rural Grants and Funding

Business Rates Retention

3.1 The Government’s intention to reform funding for Local Government is an opportunity to ensure the needs of rural communities are taken into account and the delivery of services in rural communities is adequately resourced.

3.2 Whilst the proposals currently being consulted on by the Government make some changes to sparsity weighting in the proposed new funding formulae, other funding mechanisms are likely to increase the disadvantage experienced by rural communities.

3.3 The proposed Business Rates Retention model, based upon growth in business premises, is particularly conurbation centric. In rural areas such as Cumbria economic growth may come through tourism and leisure, or knowledge based industries and micro businesses. A cross Cumbria small businesses based in residential accommodation are a common business model which will have a limited impact on business growth as reflected in business rates income.
3.4 It is unlikely that rural authorities will have as much scope for business rate growth as more urban areas, especially as large parts of the county are in designated planning areas such as National Parks. Nationally it is recognised that business rate growth ultimately is dependent upon geography, major infrastructure and high speed rail links from which rural communities have limited opportunity to benefit. Planning constraints in rural areas also limit growth in council tax income to fund local services through additional housing. Consideration of targeted support to address these inherent disadvantages would be welcomed.

Funding pressures

3.5 But low scope for growth does not mean needs are any less in rural areas. Cumbria has an ageing population and is facing greatest pressure on costs of social care and other services to support the vulnerable. These pressures need to be recognised across Government. The current debate on reform for funding of social care is one of the opportunities to demonstrate effective rural proofing.

3.6 The New Homes Bonus particularly disadvantages rural areas—as they have much less scope for housing development they are likely to receive back only a fraction of what they contribute. The cumulative effect is likely to further redirect significant funding away from rural areas.

3.7 The new funding formula for schools doesn’t take into account implications for small schools which impacts particularly on rural areas. The previous protection factor that could be used to ensure small schools have sufficient budget to operate is not part of the new formula.

3.8 The proposed public health funding model doesn’t take into account the significant additional cost of running services in, or the demography of, large rural areas. A focus on the most deprived areas only could mean that the large numbers of people who are socially disadvantaged and live in relative poverty are missed. A formula based principally on a measure of population health should be used for allocation of resources—with the Standard Mortality Ratio for those aged under 75 years used as the population measure.

3.9 A consistent, robust rural proofing approach should be applied to funding formulae decisions cross Government to ensure equality of treatment. Population based formulae disadvantage rural areas. Where formulae disadvantage rural areas remedies should be put in place to ensure equal treatment. For example, funding for local transport networks and services that does not take into account the number of visitors results in disadvantage for Cumbria and puts services and safety at risk for people living in, and visiting, the county.

3.10 The capacity of communities also needs consideration to ensure that barriers to accessing funding are removed. For example, the Rural Community Broadband Fund mechanism requires rural communities to manage a complex and bureaucratic process, obtain and spend a large amount of capital upfront, and negotiate with internet service providers.

Rural Economy Growth Review

3.11 It is relatively early to say how effective the Rural Economy Growth Review measures will be in delivering growth. There are elements which are welcomed. The successful Rural Growth Network (RGN) pilot in Cumbria will provide positive benefits; however, more pilots would be required to make a significant impact. This initiative has enabled the development of a programme that will provide business support across rural Cumbria—creating 480 businesses and 900 jobs.

3.12 It is important to recognise that the rural economy isn’t homogenous. Local economies around cities and within the commuter belt are different than in upland areas. Upland area economies have significant barriers in respect of connectivity and cost of services resulting in vulnerable economies with lower productivity.

3.13 The uncertainty around CAP Pillar II is negatively impacting on the investment environment in the agricultural sector.

4.0 The Rural Statement

4.1 The Government’s Rural Statement should set out a Government-wide commitment to ensure that rural communities are not negatively impacted by Government policy. This should set out clearly how the Government is to assess the impact of policy decisions on rural communities. A strong assessment of policies already implemented, eg the reduction of rural transport grant, would be welcome.

4.2 The Statement should recognise that services and support for rural communities require different policy interventions, and services engineered in a different way, than those that work in urban communities.

4.3 Recognition should be included in the Statement of the value of rural communities in maintaining and protecting key natural assets for the country—landscapes that attract tourists and business; vital resources for the country, eg water, food—and a commitment to invest in those communities.

4.4 The Statement should also recognise the barriers, and additional costs, of providing services in rural areas and commit to ensuring funding mechanisms for local services don’t disadvantage rural areas.

4.5 Promoting the sustainability of rural communities across Government needs to be at the core of the Government’s commitment.
4.6 The Statement should set out a commitment to equality of treatment and properly balance the additional funding and devolution of powers to cities with similar initiatives for rural areas.

4.7 The Statement should recognise rural poverty and the particular symptoms of poverty in rural areas.

August 2012

Written evidence submitted by Campaign to Protect Rural England

Introduction

1. CPRE welcomes the opportunity to submit evidence to the Environment, Food and Rural Affairs Committee inquiry into Rural Communities. As a leading environmental charity, we have worked to promote and protect the beauty, tranquillity and diversity of rural England by encouraging the sustainable use of land and other natural resources since our formation in 1926.

2. CPRE has enjoyed extensive engagement with the Rural Communities Policy Unit (RCPU). We welcome this, but believe that steps should be taken to ensure that the RCPU can be an effective and robust advocate for rural communities. Our answers to the inquiry questions quote some examples of our engagement with the RCPU, and illustrate the importance of accountable rural proofing of Government policy.

3. The recent replacement of all former national planning policy guidance with the National Planning Policy Framework (NPPF), while completed by the Department for Communities and Local Government, had significant cross-departmental implications. The initial draft of the NPPF was fundamentally flawed. As an example, a particular weakness in CPRE’s view was the rural affordable housing policy. While the final policy is not perfect, improvements have been made, and CPRE has no reason not to believe that the RCPU’s influence contributed to this.

4. The RCPU has also coordinated meetings between the Department for Energy and Climate Change and rural stakeholders regarding energy conservation initiatives. These meetings have been useful, but their impact on final policies does not seem to have been significant. In particular, final Green Deal criteria for retrofitting mean that many older rural builds are automatically excluded from the scheme.

5. These anecdotal examples provide some idea of the influence the RCPU may have had in cross-governmental policy formulation. They also highlight, however, that because the RCPU sits within Defra, it is very difficult to judge whether these influences over policy are attributable to the RCPU or Defra more generally.

Should “rural proofing” be subject to external review? How might this work?

6. As the RCPU sits within Defra and under ministerial responsibility we believe that its success at “rural proofing” Government policy should be monitored externally.

7. The RCPU has pleasingly encouraged the scrutiny of its activities by the Rural Coalition, of which CPRE is a member. The Coalition does not however have any full time policy capacity to monitor, proactively and systematically, the progress of the RCPU in rural proofing policy from across Government.

8. The submission of evidence to this inquiry made by the Rural Coalition suggests a number of actions that could be taken to ensure that the rural proofing of Government policy is scrutinised. We recommend that the Committee consider these options seriously, as if implemented they could negate the need for the independent Rural Advocate.

The RCPU is the Government’s centre for rural expertise. Is it sufficiently resourced to carry out this function?

9. At this early stage it is difficult to assess conclusively whether the RCPU has sufficient resources to fulfil its responsibilities. The very significant reduction in resources from the Commission for Rural Communities (CRC) gives an indication however that the capacity of the Unit could be a future problem.

Is the RCPU transparent and open?

10. As recorded above CPRE has enjoyed opportunities to meet a number of RCPU staff across policy disciplines, and to scrutinise its policy and activities. We are grateful for this active engagement, and the Government must commit to maintaining such transparency.

How should the effectiveness of the RCPU be measured?

11. The continued publication of detailed data in a similar format as the CRC State of the Countryside reports would assist in monitoring the success of rural proofing.
Is there still a role for an independent Rural Advocate?

12. We recognise that the Government and more specifically Defra Ministers have a strong rural base. However, we feel that all administrations, whatever their political complexion, benefit from robust, independent and evidence-based policy advocacy. While we do not doubt that the RCPU will champion the countryside and rural communities within government, it will not always get its way in the battle with other Departments, and in those circumstances it could be difficult for officials to speak out.

13. As outlined in paragraph 8 above, we believe that there are alternative means of scrutinising rural proofing of Government policy to an Independent Rural Advocate, however. We advocate especially those suggested in the Rural Coalition submission to this inquiry.

Rural Grants and Funding

How effective will the measures announced in the Rural Economy Growth Review be in stimulating sustainable growth in the rural economy? What other measures might the Government have used?

14. While the Rural Economy Growth Review (REGR) did deal with food production, it did not explore the potential for growth in the local foods sector. This sector could play a significant role in stimulating sustainable growth, and this should be explored by Defra and the RCPU. From field to fork: The value of England’s food webs, published by CPRE in June 2012, quantified the economic value of local food in England. It found that local food sales contribute approximately £2.7 billion to the economy, and support around 61,000 jobs. The report includes a number of recommendations for local and national Government, business and communities to help grow the local food economy.\(^2\)

15. The REGR would also have benefited from recognition of the special need in rural areas to ensure that economic growth does not come at the expense of the integrity of the natural environment. It is crucial that the RCPU is a strong advocate for the economic, social and environmental needs of rural communities, and particularly amongst new sub regional partnerships: Local Enterprise Partnerships, Local Nature Partnerships, Rural and farming Networks and, in future, Local Transport Boards. CPRE acknowledges RCPU support for the rural LEP network, but our experience suggests that these partnerships could perform more strongly on rural issues. We recommend that as well as facilitating a network of rural focused LEPs, the RCPU also advocates the importance of those LEPs engaging with communities about environmental and social, as well as economic issues.

How will uncertainty over the content and timetable for reform of Pillar II of CAP impact on the rural economy?

16. There is much uncertainty over the amount of funding that will be available under Pillar II of the CAP for the next rural development programme. The multiple demands on the funding available in the programme creates a tension between the vital need to fund agri-environment schemes and supporting the sustainable development of rural businesses for the benefit of the wider rural economy and environment, including measures that support local food production. It is essential the RCPU emphasises the importance of adequate funding for the next rural development programme and highlights the benefits of integrating environmental and socio-economic measures.

17. Delay in implementing the next rural development programme could cause farmers and rural businesses to delay decisions on renewing or entering agri-environment scheme agreements and applying for RDPE funding for socio-economic measures. It is important that interim measures can be rapidly deployed, should the implementation be delayed. This will help to provide farmers and rural businesses with a degree of continuity and certainty over the amount of funding that will be available.

18. The greening measures in Pillar I will also cause uncertainty about the changes that will be needed under Pillar II. Until firm decisions are made on the “greening” measures and their relationship to existing agri-environment schemes it will be difficult for farmers and rural businesses to understand how these will affect their land management activities. The Government needs to continue to communicate at the earliest opportunity its evolving position on “greening” measures in Pillar I.

Government Policy

The Government is preparing a Rural Policy Statement. What should be in it?

19. The Rural Statement should emphasise the role of the natural environment in long term sustainable economic recovery in the countryside. The National Ecosystem Assessment provided an initial attempt to quantify the value of goods and services provided by nature. While CPRE has concerns that the value of nature should not be quantified purely, or even largely, in economic terms, this project highlights that sustainable economic growth will rely on protection of natural assets.

20. This means ensuring economic growth in rural communities is fully integrated with enhancing the rural environment. CPRE was concerned that the CRC often paid insufficient attention to the environmental context of rural communities; if the RCPU also takes this approach it could have very damaging consequences for the sustainability of economic recovery in the countryside.

21. The Rural Statement should recognise the unique ability of the planning system to integrate economic, social and environmental goals, and to deliver thriving rural economies, communities and countryside.

22. It will also be important for the Rural Statement to express how its success will be measured. We hope that the Statement will detail Ministers’ bold ambitions for the countryside. These ambitions must then be supported by action to ensure delivery.

Ministers’ stated rural priorities are housing, broadband, services, transport and fuel. Are these the correct priorities for the Government to focus on?

23. CPRE is pleased that housing has been identified as a Ministerial priority. The RCPU must consider how decisions made by Ministers at DCLG might impact on the ability of local government, housing associations and communities to deliver affordable housing, and therefore on Defra’s priorities for rural housing. For example, the new “affordable rent” model which all housing provided under the current Affordable Homes Programme must adhere to could threaten the delivery of affordable housing that meets rural needs. Affordable rents, tagged at 80% of market rent, will remain unaffordable to many rural workers, as rural wages are on average lower than urban ones, while house prices are on average higher. The RCPU has a crucial role to play in monitoring the outcome of these policies, and providing evidence to support amendment of them in future if they are not delivering for rural communities.

If not, what others should the Government prioritise?

24. As detailed in paragraph 15, above, CPRE believes that focus on local foods has the potential to offer significant economic, environmental and social benefits to Government, businesses and communities. We hope that the Government will seriously consider the findings of From field to fork: the value of England’s food webs in light of the contribution that local food could make to a sustainable recovery.

25. We believe addressing the economic and environmental challenges arising from the debate about the sustainable intensification of farming also needs to be a Government priority: Primarily, how will farmers be able to produce more food while having less environmental impact? The Government as a whole should work to ensure we have a farmed landscape that is productive, beautiful, rich in biodiversity and that maintains the quality of our water and soil resources.

Do the measures announced in Defra’s Uplands Review do enough to support sustainable hill farming?

26. We welcomed the announcement in the Uplands Review that extra funding would be made available for the Upland Entry Level Scheme and we think it is right that the particular environmental and socio-economic challenges faced by upland farmers, businesses and communities are recognised and addressed. The character of our upland landscapes is unique, and an invaluable asset to the rural economy of these areas. We were concerned that Natural England’s uplands vision was abandoned earlier this year, with a suggestion that it focused too strongly on maintaining and protecting the upland environment and its eco-system services. The current Uplands Delivery Review exercise being carried out by Natural England should not result in a weakening of the Government’s commitment to protecting the quality of our upland environment, now and in the future.

August 2012

Written evidence submitted by the Rural Services Network

Introduction

1. The Rural Services Network is pleased to have this opportunity to submit evidence to the EFRA Committee for its inquiry into rural communities.

2. The Rural Services Network is a membership organisation devoted to safeguarding and improving services in rural communities across England. That membership includes over 100 principal local authorities from predominantly rural areas. It also includes around 120 other service providers—police authorities, fire and rescue authorities, housing associations, health trusts, bus operators, etc. Our community group then consists of some 6,000 local (parish and town) councils and other community-based organisations. We therefore represent a wide spectrum of those who speak for rural communities and deliver services to them.

3. Our inquiry response focuses on those issues which we feel are of greatest importance for rural communities going forward, given that a Rural Statement is due from Government this autumn and rural proofing is to be re-launched.
Rural Proofing and the RCPU

4. A commitment to rural proof policies across Whitehall has existed since 2000. However, it is widely acknowledged that its application has been patchy and its impacts often hard to measure. That in no way invalidates rural proofing, especially to meet the needs of the most sparsely populated areas. Most national policy decisions which impact on the quality of life for rural communities happen outside of Defra in other Whitehall departments with responsibility for housing, transport, healthcare, policing and so on. Rather, the way rural proofing operates needs improving and (although we haven’t yet seen details) Defra’s intention to “refresh” its approach is to be welcomed.

5. Having observed rural proofing over many years, we consider there are various features which, rigorously employed, can make it more successful. They include:

- Cross-Government commitment: Defra and its Rural Communities Policy Unit (RCPU) clearly have a lead role, but all Whitehall departments should state their commitment, including those which themselves have a cross-cutting role like Treasury and Cabinet Office;
- Ministerial and senior buy-in: rural proofing is more likely to be taken seriously if it is driven from the top. Visible buy-in from Departmental Ministers and senior civil servants will make a real difference;
- Understanding of rural circumstances: weak rural proofing is often due to insufficient knowledge of rural circumstances and policy considerations within policy-making teams. Training and resources tailored to departmental areas of responsibility could certainly help. Good practice might also clarify what rural proofing looks like;
- RCPU support for other departments: strong links will need to be developed between RCPU and other Whitehall departments to support rural proofing. The RCPU might—for example—raise awareness, improve understanding, help supply rural evidence and offer a within-Whitehall rural view on policy options or proposals;
- Sound use of the evidence base: rural proofing should make full use of the rural evidence base which has been developed, including Defra’s Rural Digest and databases. Other organisations (like the Rural Services Network) produce survey data, statistical analysis, good practice material and the like. Departments should analyse their own datasets according to the rural-urban definition or classification;
- Consultation with rural communities and interests: when policy proposals are consulted upon departments should ensure that relevant rural stakeholders and interest groups are included. When analysing responses to public consultations they should consider identifying those received from rural areas;
- Transparency about rural proofing deliberations: rural proofing deliberations which feed into policy appraisals should be in the public domain. Including rural proofing within the Equalities Impact Assessment process remains a potentially useful way to achieve this;
- Monitoring of rural outputs and outcomes: when departments monitor the success of policy measures they should include spatial analysis which identifies their (relative) success in rural areas. They should ensure rural lessons are learnt, with policies and regulations being adjusted where necessary.

6. We wonder if the EFRA Committee itself has a key role to play in scrutinising the success of rural proofing. It obviously has limited resources, but might be able to consider a few policy developments each year. Organisations such as the Rural Services Network should be able to input evidence, where this was necessary.

7. In general, the more flexibly policies are designed at the national level, the easier it will be for local policy makers and delivery organisations to tailor what they do to suit local rural circumstances. Those circumstances vary from one rural area to another and it should be for local authorities or delivery bodies to determine the best solutions for their territory.

8. To this end, the Rural Services Network recognises that rural proofing undertaken at the local level also has an important function. Most local administrative areas contain a mix of place types (often both rural and urban). We were pleased to help promote the local rural proofing resources which Defra published in July 2012. Hopefully they will be widely used: we look forward to hearing from those testing them (including one or two of our members).

Government Policy and Priority Issues

9. The Rural Services Network wishes to see the Rural Statement published as soon as possible and was disappointed by its delay into autumn 2012. We hope Government uses it as an opportunity to set out its rural priorities, along with the actions it intends to pursue to help deliver on them. It needs to be a cross-Government document with buy-in from all relevant domestic departments. We do not mind if it re-iterates some existing Government policies and actions (including those from the Rural Economic Growth Review), but we hope it also announces new actions.

10. Below are ten policy issues we view as priorities, where we would like to see Government focussing its Rural Statement and rural proofing effort. These include Government Ministers’ five currently stated rural
priorities. Publication of the Rural Statement is an opportunity for Government to raise the profile of rural community considerations overall and to build the profile of Defra’s RCPU across Whitehall.

11. Local government funding: a satisfactory conclusion to DCLG’s review of the local government funding formula would (at least) reduce the current unfairness, whereby rural communities pay higher Council Tax bills, receive lower levels of Government grant and so have access to fewer public services than their urban counterparts. In 2012–13 predominantly rural local authorities receive £147.81 in Government formula grant per head or 52% less than their urban counterparts. The extra cost of delivering services in sparsely populated areas (due to greater distance and lost economies of scale) is massively under-accounted for in the formula. We welcome current DCLG consultation proposals to adjust the sparsity weighting, but because DCLG propose to “damp” these changes about 75% of the theoretical gain will be lost. The “damping” proposal needs reconsidering: if, as Ministers clearly accept, there is a case for changing the formula, then it should be implemented in full.

12. In general, rural areas will not benefit from either the retention of (some) business rates growth or the New Homes Bonus to anything like the same extent as is possible in urban areas. The development constraints of National Parks and AONBs, plus infrastructure limitations, impact on economic and residential development opportunities in many rural areas (particularly in more remote areas). The gap in spending power between rural and urban areas can again be expected to widen.

13. Health and social care reforms: the Public Health duties transferring from the NHS to local government next year will, based on the latest figures, see some 25% less funding per head in rural areas than in urban areas. At the very least, there should be a sparsity weighting applied to that formula, based on the sparsity weightings being proposed for other local government services. We would also argue for greater recognition of rural deprivation within funding formulae and health care regimes; dispersed rural patterns of deprivation are often overlooked, because they are not as obvious as area concentrations of deprivation.

14. Affordable housing: there is an urgent need to increase the supply of affordable housing for local people in rural communities. Average rural house prices on the open market are well above the national norm and affordability ratios (local people’s earnings in relation to house prices) are far worse in rural than in urban areas. There is a very limited supply of social housing available in rural areas. This situation undermines the future sustainability of many rural communities with young people, in particular, often finding it hard to remain in their local area. Solutions should include the provision of mixed tenure homes, as an entry level option to future sustainability of many rural communities with young people, in particular finding it hard to remain in their local area. Solutions should include the provision of mixed tenure homes, as an entry level option to the housing market.

15. There is concern about one potential impact of the Welfare Reform Act 2012. Housing benefit will be reduced for social housing tenants deemed to be under-occupying ie with spare bedrooms. The social housing stock in rural areas comprises more large homes, so proportionately more will be affected. Moreover, as rural areas typically have few available social homes nearby, tenants could be asked to move greater distances away from friends and family. The legislation needs careful rural monitoring.

16. Planning and neighbourhood plans: the recently introduced National Planning Policy Framework contains potentially useful wording, aiming to help rural communities grow in sustainable ways. We support its emphasis upon sustainable development. How it plays out in practice, through Local Plans, applications and appeals, requires careful monitoring to ensure rural needs are being met. Equally, we recognise that neighbourhood planning could play to some rural communities’ strengths, given the presence of local (parish and town) councils and widespread experience of parish and town planning. Ongoing support to advise communities involved will be crucial. Neighbourhood planning again needs careful monitoring to ensure the process (which is quite complex for local communities) actually delivers.

17. Localism Act measures: other measures introduced by this Act, such as the community rights to bid and to challenge may prove useful means by which to sustain more services and facilities in rural areas. There has been a growth in community-owned or managed services. Support for communities engaging and careful monitoring of their implementation will be needed.

18. Public transport: rural bus services are under severe financial pressure from the combined effect of rising fuel prices, reducing local authority revenue budgets, less reimbursement for concessionary fares and a 20% cut to Bus Service Operator Grant. Rural operators also say that “red tape” is still increasing eg Passenger Rights, DDA deadlines, Bus Stations Order. Action to try and sustain rural transport networks—especially for those without a car or unable to drive—is vital to the social and economic fabric of rural communities. Local authorities and bus operators are managing as best they can (eg seeking lower cost transport solutions), but there is a limit to their room for manoeuvre given such financial and regulatory pressures. The Government should examine sustainable alternatives to the current mandatory free national concessionary travel scheme, and support innovative proposals put forward by local partnerships of operators and authorities where they have the clear potential to generate patronage growth, by means of suspension or modification of individual regulations on a local basis, within the existing de-regulated framework.

19. Fuel poverty: rural areas have a high proportion of hard-to-heat homes and many are off the mains gas grid. Fuel poverty is therefore particularly prevalent in rural areas. The link between fuel poverty and poor health is well documented, so reducing it should result in savings to health care budgets. We welcome the focus of the Energy Company Obligation (ECO) on helping the most vulnerable and those in hard-to-treat
housing. The Green Deal is intended to create a market in accredited suppliers who can assess energy efficiency and install energy saving measures. Government should monitor how well the market develops in rural areas, where customers are more scattered. It is worth noting that many RSN members have direct experience of local schemes to address fuel poverty. A linked issue is the impact of fast rising fuel prices, which has implications for rural people’s access to jobs and services.

20. Broadband: rural areas continue to fall behind with access to fast broadband, with implications for businesses, service providers and households alike. The Government target, that 90% of the population has a fast connection by 2015, means many rural areas (in the remaining 10%) will miss out. BDUK plans to meet this target also seem likely to start in near-commercial areas, leaving more rural areas until last. We concur with the House of Lords Communications Committee assessment, that Government strategy and funding places too much emphasis on providing even faster connections in places which already have a fast connection and too little on achieving geographic coverage i.e. assisting where there is clear market failure. The Rural Communities Broadband Fund is in principle useful, though some of our members report it being hard to access and with State Aids issues as yet unresolved.

21. Growth Review: measures in the rural strand to this review are broadly welcomed, though inevitably it is hard to assess their effectiveness at this early stage. We will be particularly interested to see how the Rural Growth Networks perform as a sort of rural equivalent to urban Enterprise Zones. However, arguably more important is the effective rural proofing of the rest of the Government’s Growth Review, since this operates across a wider policy front and with more resources. One specific issue is the extent to which smaller rural projects are able to access the Regional Growth Fund, which appears to favour larger (and so usually urban) projects. Various measures and funding streams to support young people into employment or training also require further rural proofing.

22. Local Enterprise Partnerships: we acknowledge that the RCPU has facilitated a rural LEPs group. However, rural issues do not, in general, seem to be reflected well in LEP’s strategies and priorities. If rural areas are to benefit to any extent, rural groups need to be more than simply LEP consultees (as they are in some areas). Rural business groups and rural local authorities need to be fully engaged and represented on LEP boards.

23. We consider these to be the policy priorities. They should not be understood (or in many cases taken forward) in policy silos. The over-arching policy aim should be to retain and create sustainable rural communities through joined-up policy thinking. Joint delivery arrangements between services, organisations and sectors are often highly beneficial.

August 2012

Written evidence submitted by Calor Gas Ltd

THE WORK OF THE RCPU, ITS ABILITY TO ACT AS RURAL CHAMPION IN THE HEART OF GOVERNMENT, AND ITS EFFECTIVENESS IN DELIVERING RURAL DEVELOPMENT

Calor welcomes the opportunity to give evidence to The Environment, Food and Rural Affairs Committee regarding the work of the RCPU. Calor Gas Ltd has been delivering rural energy solutions since 1935 and 75% of our business takes place in rural areas off the mains gas network. Over 77 years Calor has developed an in depth understanding of the complexities and unique energy and housing challenges that rural communities and businesses face. Calor wants rural property and business owners to have a strong voice within Government, and for their needs and issues to be taken into account when forming policy across all areas of Government, but particularly within energy and housing policy (primarily within DECC and DCLG). In line with Calor’s business expertise and rural experience, our evidence will focus on energy and housing policy within:

The approach of the Rural Communities Policy Unit
The proposed Rural Policy Statement

1. THE APPROACH OF THE RURAL COMMUNITIES POLICY UNIT

With the abolition of the Commission for Rural Communities in 2011, Calor believes that it is essential that a similar body continue to exist to ensure that the rural voice is heard within Government. The CRC was an acknowledged expert in rural affairs, raising awareness of rural needs amongst policy makers and the wider public. Whilst areas of CRC expertise were merged into Government departments, the loss of this independent rural scrutiny body was significant. The establishment of the Rural Communities Policy Unit was essential to ensure that the needs of rural communities continued to be heard within Government. The stated vision of the RCPU is “to provide a centre of rural expertise within Government” and “to advise policy-makers in Whitehall departments on the likelihood and possible scale of rural impacts, and to suggest actions that might be taken to mitigate these.” Calor believes that, to date, the RCPU has been successful in fulfilling this vision and is playing a vital role in ensuring that the countryside is represented within Government and that rural interests and issues are taken into consideration when forming policy.
2. Successfully Engaging With Rural Communities

It is often difficult to successfully engage with, and create effective policy for, rural communities who may be sparsely located, with community boundaries which do not always adhere to Government statistical geographic output areas. Communications channels such as the internet are not as widely available in rural areas as in urban, primarily due to the lack of high speed broadband services. Rural areas tend to contain a higher proportion of elderly people than urban areas—a group who are notoriously difficult to engage with. Furthermore rural communities often suffer from “dormitory syndrome” whereby residents leave the community during the day to work in urban areas, only returning to the community in the evenings and weekends. As such engaging with rural communities from a national or Government level can be challenging, and therefore local knowledge and networks are vital in achieving successful engagement. Calor supports the RCPU’s approach of proactively working with rural representative organisations such as the Rural Community Action Network (RCAN), both at a national level through their umbrella body ACRE and at a local level through the Rural Community Council network. Through our own rural community initiatives, Calor has found that engagement at a local level, utilising existing community networks, is the most effective way to engage with rural communities, and Calor commends the RCPU in also adopting this approach.

3. Rural-Proofing Policy

Government has stated that it is committed to ensuring that policies and programmes are “rural-proofed”—ie properly take account of the needs and the potential of rural residents, businesses and communities. However in delivering products and services into rural communities and by working with rural communities on various social responsibility projects, Calor has seen evidence that despite the Government’s stated intention, the needs of rural communities are not always taken into account in Government policy and programmes.

Developing policy which can be equitably applied within both rural and urban areas is challenging. Calor has seen how Government departments such as DCLG and DECC have failed to rural-proof policy. Calor has experienced this within the energy sector, particularly regarding energy efficiency and carbon reduction policy, where there is a discernible lack of both credible independent information and formal assistance schemes relevant to householders in off-gas grid Britain.

CERT, CESP and Warm Front have not been effective in reaching rural areas. In April 2012, in answer to a Parliamentary Question placed by Barry Gardiner MP asking what proportion of CESP and CERT funding had been spent in off-gas grid areas, the Minister for Climate Change, Greg Barker MP, stated “the CERT evaluation report indicated that proportionally few people in off-gas grid homes had benefited from the scheme.” He also confirmed that “there have also been only a small number of CESP schemes in rural areas (which are more likely to be off the gas grid).” There are a number of reasons for this failure, including the strict scheme eligibility criteria, the cost of physically delivering assistance schemes into rural areas, and the complexity of rural building design and fabric which often does not allow technological solutions to be delivered within the permissible cost per tonne of carbon saved—ie. external wall insulation.

Despite the acknowledged failure of such schemes, new energy efficiency policy proposals continue to fail to be adequately rural-proofed. In the recent Green Deal consultation document DECC admitted that the Green Deal not yet been rural-proofed. Indeed Calor raised this concern in our consultation response—sentiments echoed by other rural organisations, including ACRE.

In light of past failures and current evidence that Government departments are still failing to adequately rural-proof their policies, it is essential that DEFRA and the RCPU continue to provide guidance and advice to support Government departments in rural-proofing their policies.

4. Success of the RCPU to date

As a business working primarily within rural areas Calor has found the RCPU to be approachable, transparent, and supportive regarding various rural issues that Calor has raised with them. The RCPU has been particularly supportive regarding issues around energy and housing policy, facilitating meetings between Calor and other Government departments such as DECC and DCLG, and representing our concerns to Ministers within DEFRA. We have welcomed the opportunity to build relationships within the RCPU and look forward to continuing to work proactively with the RCPU in in a collaborative and proactive manner to achieve the following:

— Ensure current and future Government energy policy does not unfairly disadvantage rural householders.
— Address the shortage of affordable rural housing.
— Reduce the high rate of rural fuel poverty.
— “Rural-proof” the Green Deal—ie ensure there is equality between rural and urban households.
— Support local businesses at the heart of the rural economy.
— Ensure rural communities, residents and businesses are fairly represented in all policies.

Calor believes that it is adequate for DEFRA, through the RCPU, to fulfil the role of ensuring that Government policy across all departments is adequately rural-proofed and that policy makers take into account
the likely impact that proposed and existing legislation might have on rural communities and businesses. Furthermore, there exist a number of organisations and oversight bodies able to both represent rural interests and hold Government to account over specific policy decisions. The Rural Community Action Network (RCAN) with its’ umbrella body, Action with Communities in Rural England (ACRE) in conjunction The Rural and Farming Network, the Rural Coalition and Campaign to Protect Rural England (CPRE) all have a role to play in supporting DEFRA and the RCPU in delivering their aims.

5. The Proposed Rural Policy Statement

Calor welcomes the Government’s intention to publish a Rural Statement. DEFRA has announced that the Rural Statement will “underline the Government’s commitment to promoting a prosperous rural economy and thriving rural communities. It will show how the Government is supporting rural areas through existing and future policies and programmes, and explain what DEFRA is doing to champion rural needs and interests across government.”

5.1 Housing as a Rural Priority

Calor welcomes the inclusion of housing as a stated rural priority, and looks forward to seeing how Government intends to ensure a robust rural housing sector, particularly regarding the construction of new-build homes in rural areas. Housing is already scarcer and less affordable in rural areas than in urban. The Countryside Alliance warned last year of a lack of affordable housing causing “a vicious cycle which if not broken leads to the break-up of communities, a loss of services and results in villages that have no long term future”. Calor has major concerns regarding proposed DCLG revisions to Part L of the Building Regulations which we believe will not only unfairly affect rural residents, but also negatively impact the growth of the rural construction sector.

Housing construction will play a critical role in the UK’s economic recovery. However annual housing starts fell 6% in the 12 months to March 2012, compared with the previous 12 months. The problem is exacerbated in rural areas; the Federation of Master Builders confirm that SME rural house-builders are in sharp decline already and face build costs for developments of three houses or fewer which are up to 70% higher than for general estate housing. Yet against this gloomy backdrop, current UK policy gold-plates the Energy Performance of Buildings Directive by requiring Zero Carbon homes by 2016, with an interim step in 2013. The EPBD in fact only requires “low and near zero Energy buildings” by December 31st 2020, with an interim step in 2015. DCLG have calculated that the additional costs resulting from the gold-plating of the EPBD will be between £6–11 billion. Rural builders are ill-equipped to take on the extra costs of complying with the tightening Building Regulations which they estimate to cost up to an additional £8,600 per unit.

Furthermore, under the Building Regulations revision, DCLG are proposing the removal of the Fuel Factor from 2013 as part of the drive towards Zero Carbon Homes by 2016. The Fuel Factor in current Building Regulations allows a slightly higher emission level in all newly built rural properties because off-grid fuels all emit more carbon than natural gas, and without it rural housing would need to be constructed at a higher cost than urban housing. Research by NIFES shows that the removal of the Fuel Factor could add up to £7,850 to the cost of building a home in rural areas.

Rural areas will, therefore, face the “double whammy” of the gold plating of the EPBD and the loss of the Fuel Factor which together could add over £16,000 per unit to the cost of rural new build. House building is likely to be depressed further in rural areas as a result.

The lack of affordable housing, already a major problem for the rural economy, will be significantly worsened by the planned DCLG revisions to the Building Regulations. It is interesting to note that Building Regulations are now fully devolved to Wales and Scotland. In Scotland the Regulations do not discriminate against development in off gas grid areas by inflicting additional cost penalties. Likewise Wales, having only had responsibility for less than a year, is currently consulting on removing the current regime which penalises rural areas.

5.2 Energy as a Rural Priority

The Prime Minister has stated that “green energy must be affordable” yet DECC’s own estimate of the impact on electricity prices in 2020 arising from their energy and climate change policies is +27%. In 2011 the Government suggested that households would be paying 7% less by 2020 as a result of energy policies, than they would be paying if those policies had not been undertaken. However, both Policy Exchange and the Renewable Energy Forum have calculated that 65% of households would be worse off as a result of the policies, ie a few would gain at the expense of the many. The impact on rural areas is likely to be relatively worse because rural fuel choices tend to be more expensive, and houses harder to heat.

This is set against a background of rising fuel poverty; between 2004 and 2009 fuel poverty increased from 1.4 million households to 4 million households. In 2009 OFGEM predicted a rise in fuel poverty of 50%—to six million households. In rural areas this problem is exacerbated. The DCLG English House Condition Survey shows nearly three times as many households in fuel poverty in rural areas as in urban and that the numbers
are increasing compared to urban areas. As such, energy policies which deliberately or unwittingly increase energy bills particularly disadvantage rural households.

Rural households also currently find themselves at a disadvantage through the way in which Energy Performance Certificates are currently calculated. The UK EPC assessment process, triggered before any building is erected or converted, grades houses by their notional cost of providing energy for heating and hot water per square metre. As all fuels used to heat properties in off the gas grid are more expensive than natural gas, homes in rural areas will automatically receive a worse EPC score than the same sized home in a mains-gas area. This has serious implications for the future treatment of rural property owners as the Government has made it clear that incentives intended to assist the uptake of more energy-efficient or renewable technology, such as the Renewable Heat Incentive and Feed-In-Tariffs are being limited to homes that meet minimum EPC levels. Under the current and proposed EPC design, it will be much harder—if not economically impossible—for rural owners to benefit from supposedly universal measures and incentives.

Calor would like to see rural housing and energy issues, such as those outlined above, addressed in the Rural Statement. The cost of proposed Government energy policy, combined with the existing shortage of affordable rural homes, proposed changes to Building Regulations, and design of the current EPC, all create damaging knock-on effects for c.5 million rural inhabitants. These can be corrected by bringing Building Regulations back in line with the EPBD, retaining the Fuel Factor, and ensuring appropriate design of the EPC. Calor believes that the Rural Statement provides an opportunity to highlight these critical issues, whilst the RCPU has the opportunity to work with Government departments to find solutions which take into account the needs and considerations of rural communities.

6. Conclusion

Calor believes that a thriving rural economy can play a key role in the recovery of the overall GB economy however the right policies must be in place to ensure that rural communities can play their part in the overall recovery. The RCPU has a vital role to play in ensuring that rural needs are taken into account when forming policy across all Government departments. Many of the existing energy and housing policies, and future policies proposed by DECC and DCLG, represent a significant disadvantage to rural households. The bias against rural areas must be corrected whilst future policy must be rural-proofed to ensure that rural areas are not unfairly impacted. The RCPU will play a critical role in ensuring this.

August 2012

Written evidence submitted by Country Land and Business Association

Introduction

1. The Country Land and Business Association (CLA) represents over 34,000 members in England and Wales. All of the CLA’s membership will have an interest in and be affected by the activities and actions of Defra’s Rural Communities Policy Unit (RCPU). We welcome the opportunity to respond to the inquiry.

The Approach of the Rural Communities Policy Unit

Engagement

2. A key element in establishing the level of engagement of the RCPU with rural communities is firstly to determine the level of recognition. It is unfortunate for the RCPU that many in rural areas have little, if any, knowledge, of the RCPU and even less awareness of its activities. Such a situation does not bode well in determining the effectiveness of the RCPU in engaging with rural communities.

3. The CLA sees no evidence to suggest the RCPU has actually been effective in delivering to those who live in the remotest areas of England. Indeed, there appears to be a distinct lack of communication from the RCPU to those who live in rural communities. This could be the result of centralising rural policy in order to ensure greater efficiencies. However, what is of greater concern is the inability of the RCPU to deliver to the vast majority of rural areas, let alone those in more remote parts.

Rural Proofing

4. Rural proofing of government policy is always difficult to assess. This was the case with the Commission for Rural Communities and is certainly the case with the RCPU. The CLA is aware of engagement with other government departments, for example, with the Department of Communities and Local Government (DCLG) over planning and with the Department for Culture, Media and Sport (DCMS) regarding broadband.

5. But we would suggest this is where a major problem lies. The two aforementioned government departments are responsible for these particular issues; Defra is not. As a result, it makes it very difficult to ensure that such policies take into account the potential impact on rural communities. Of course, there is inter-departmental communication but we are yet to see how this is ensuring that government policies are being rural proofed.
6. One of the successes of the Commission for Rural Communities was its ability to monitor and track rural proofing in all government departments. We see no evidence, in the form of empirical evidence to indicate the success or otherwise of Defra rural proofing.

7. Indeed, there appear to be a strong case for rural proofing to look outside of government departments and to take into account the views of external stakeholders, particularly given the finite resources of the RCPU. In this context, the CLA would suggest that Defra give serious consideration to putting together rural proofing panels with direct input from external stakeholders and their experiences and expertise to ensure that rural proofing is a robust mechanism.

Resources

8. The CLA is somewhat confused as to the claim that the RCPU is a “centre of rural expertise”. We see no evidence in terms of policy making nor in the delivery of policy to support such a view. Indeed, the outputs from the RCPU seem to suggest that, in a number of cases, there is actually a lack of expertise that is hindering the development of effective policy making in rural communities.

9. This lack of expertise is well illustrated through the creation and implementation of the £20 million Rural Community Broadband Scheme. We believe that solely focusing on the development of a superfast broadband network is wrong when considering that this will not deliver an effective broadband connection to those in the 10 percent of rural areas that have no access at present.

10. We are also concerned as to the dissemination of evidence from the RCPU. Under the Commission for Rural Communities, the “State of the Countryside” publication was seen in the industry as being the benchmark for providing much needed statistical information and evidence as to business performance as well as providing a picture of the social characteristics of rural communities. Although we welcome the quarterly “Rural Economic Bulletin”, we believe that the dissemination of the rural evidence base needs to be wider.

11. This leads onto the problem of communication. In discussions with Defra regarding the development and implementation of the Rural Economy Grants Scheme (REGS) under the Rural Economy Growth Review, the CLA (and others) has raised the need to have in place a proper communication plan. We recognise the stresses the resource constraints have on the RCPU but it is vitally important that there is a clear communications strategy run by the RCPU. Such a strategy would also benefit significantly from input from external stakeholders.

Transparency and openness

12. We recognise the huge breadth of the areas the RCPU needs to be involved in. We also note that the actual resources of the RCPU suggest that they may not be that well equipped to effectively deal in these areas without external support.

13. With regard to transparency and openness, we would take the view that there is little difficulty in putting forward our views to the RCPU. In a sense, the door has been opened and remains so. However, we remain concerned as to whether the RCPU is taking on board the points made by trade associations in areas where the latter often has more experience and expertise and can call upon their respective members for hard evidence.

Measuring effectiveness

14. The CLA believes that there need to be a series of performance indicators and that these need to be embedded into Defra’s annual business plan and available to all.

Independent rural advocate

15. We recognise and applaud the significant work that has been undertaken in the past by Dr Stuart Burgess as the independent Rural Advocate. However, we also believe that one of the major disadvantages of the independent advocate was the failure to take on board the views of the many organisations that operate on behalf of rural communities.

16. Indeed, whether by luck or good planning, the CLA believes that an independent voice that represents the vast majority of those in rural communities does exist, this being the Rural Coalition. Defra has already stated that it values the contribution of the Rural Coalition to the policy debate and as a member of the Rural Coalition, the CLA values the level of experience and expertise of the collective whole. In a sense, it could be said, given the range of interests involved and the actual ability to cover all the issues, the Rural Coalition is a “centre of rural expertise”.

Rural Grants and Funding

Rural Economy Growth Review

17. It remains too early to gauge the effectiveness of the Rural Economy Growth Review. However, it should be noted that confidence in the rural economy from those that trade within this environment is falling.
According to the CLA’s Rural Economy Index (REI), confidence of agricultural businesses has fallen quite dramatically from +26% in Quarter 1 to -1% in Quarter 2, the main reasons being:

- The Eurozone crisis;
- Higher input costs;
- The lack of broadband; and
- The lack of consumer confidence.

18. In addition to this falling confidence, the REI has highlighted a significant fall in the projected level of anticipated investment in non-farming businesses from -2% in Quarter 1 to -17% in Quarter 2. The results highlight that it may prove to be very difficult for Defra’s policy measures to have a positive short term impact.

19. The CLA supports the measures set out the Rural Economy Growth Review. They cover a wide range of areas, from agriculture, rural tourism, delivering green growth and seeking to reduce regulation. However, a great deal will depend on the delivery of these measures. We are aware that the Rural Economy Grants Scheme that seeks to award funding for growth has been well over-subscribed, clearly indicating the need for capital financing.

20. What is also important is the need to ensure that measures that are, in effect, the responsibility of other government departments, such as rural tourism, are fully integrated in terms of overall strategy. There are significant advantages to be had with a delivery approach for rural tourism that includes DCMS, Defra and Visit England. Money is all very well but if it is not used wisely it is a waste of the public exchequer.

Other measures

21. One of the greatest constraints on possible other measures that could have been adopted is clearly the lack of available finance. Given the current economic difficulties money remains tight. As stated above, we believe that the measures that have been adopted could provide a platform for economic recovery. What is essential is that these measures are delivered effectively delivered.

CAP Reform and Pillar II

22. A great deal will obviously depend on the present negotiations in Brussels over the overall EU budget and the various strands of CAP reform. We would agree that, at this stage, it is highly likely that the reform measures will not be implemented until the start of 2015 at the earliest. Such a situation leads to uncertainty for rural communities.

23. However, it is important to recognise that transition measures will need to be put in place in order to fill the vacuum. Although the European Commission still maintains that CAP reform can be implemented from 1 January 2014, we have to be realistic and it is important for Defra, together with its external stakeholders, to develop a transition programme that joins up the end of one programme and the beginning of another. Without such measures, rural development policy could find itself in a very precarious position.

Government Policy

Rural Policy Statement.

24. It is interesting to note that only one of the Government’s rural priorities could be considered as an economic driver, that being broadband.

25. There needs to be an explicit recognition of the drive towards economic recovery and how this would be achieved. A number of reports including Matthew Taylor’s “A living working countryside”, and the recently published NPPF, have all promoted the issue of rural economic growth and employment, but still Defra Minister’s priorities ignore these important factors, choosing instead to focus on important social matters. If there is little money flowing in rural economies then the delivery of new housing and social service provision will continue to fail.

26. This is why the CLA finds it really striking that rural economic growth, skills and rural employment needs are missing from the Minister’s list. Many people in rural areas have long felt that their need for jobs (and housing and services) is largely ignored by government. The DEFRA Minister’s list of priorities demonstrates a continuing failure to take into account the need for jobs, and related skills, in rural areas. The delivery of better quality jobs with better quality wages in rural areas would allow people to be able to work and live in rural areas, rather than having to reverse commute.

27. We suggest the Rural Statement includes a stated priority for the delivery of rural economic growth through the policies that will deliver better quality jobs (and associated salaries), and the requirements for associated educational establishments to deliver skilled people to fill these jobs.

DEFRA’s Uplands Review

28. The CLA believes that upland areas should be considered as “environmentally favoured areas” particularly given the diverse range of eco-system services they are able to deliver. However, the RCPU needs
to focus delivering realistic economic returns to Upland farmers. Private initiatives, such as the United Utilities SCaMP project, have added income returns but it remains essential that Upland areas remain profitable. In this context, the RCPU needs to ensure that there is greater flexibility to allow Uplands farmers to be able to diversify which will inevitably mean a more flexible attitude towards planning, especially within National Parks.

September 2012

**Supplementary written evidence submitted by the Country Land & Business Association**

Thank you for asking me to give evidence at your inquiry into rural communities. During my evidence I promised to write to you regarding Local Enterprise Partnerships (LEPs), the priorities and activities of LEPs is of considerable interest to the CLA, especially those LEPs with a particular rural focus.

**The creation of Local Enterprise Partnerships (LEPs)**

The CLA viewed with considerable interest the creation of LEPs and the government’s strategy for local economic growth. We would support the view that, in the majority of cases, the Regional Development Agency (RDA) structure failed to deliver. What is fundamental to the effectiveness of LEPs is the ability to learn from the mistakes made by the RDAs.

We recognise and support that the primary aim of the LEPs is the promotion of economic growth through a partnership between the public and private sectors. Although we accept that LEPs are still in a learning phase, the evidence thusfar does not appear to suggest that a great deal of progress in the majority of cases has been made.

The CLA accepts that given the central premise that LEPs are a bottom up approach, it is not surprising, therefore, that the vision and aims of the respective LEPs vary considerably. However, we are concerned at the wide variation that has been employed. Some LEPs have put forward medium to long term goals stretching out for the next twenty years whereas others are looking to the more immediate short term of making progress by 2015. Whilst we accept that LEPs are in their infancy, we believe that there has been sufficient time for a degree of consistency in terms of objectives to have been established. Looking at each of the LEPs, this does not appear to be the case.

Of course, there will be differences in both approach and in the goals sets given the unique nature of the LEPs themselves. However, we believe that it is important for all LEPs agree to a series of main aims in terms of seeking to generate economic growth and that these aims are sufficiently rural proofed.

**The Effectiveness of LEPs in a Rural context**

One of the main problems with the former RDA structure was the failure to recognise the importance of rural areas to the general economy of the region. A reversal of this by the LEPs should have been an immediate aim. Indeed, having examined the objectives of each of the 39 LEPs, we note that only 8 explicitly recognise or refer to rural areas. We cannot see how this can be helpful bearing in mind the overall goal of re-balancing the local economy which requires a co-ordinated approach to all aspects of the economy.

We believe that rural interests need to be explicitly recognised at board level. We see no evidence that this is the case for the vast majority of LEPs. If there continues to be this disconnect it remains a distinct possibility that the efforts of the LEPs will fall short.

We are also concerned that there appears to be no clear agenda or strategy. Indeed, one of our members commented that the LEPs are “patchy, inconsistent, very ambitious, not targeted and quite simply, confusing.”

The CLA accepts that the LEP structure is a new approach and it is important to recognise that it is too early to judge. Indeed, the example of the New Anglia LEP, where progress has been made on broadband, there is a dedicated Food and Farming Group and are responsible for the Defra Green Economy pathfinder project, illustrates what can be done where there is effective leadership and a joined up approach. Unfortunately, there appear to be few such examples.

One of the major constraints to the activities of the LEPs has been the lack of funding leading to a lack of resource. Indeed, the LEP network has already proposed to government that each LEP should be allocated £250,000 per year for a three year period if the structure is to operate effectively.

It is noted that the Government has recently agreed “City Deals” with a number of major cities. It is also noted that a number of smaller urban areas are to seek agreement over similar types of deals in the near future. Of concern is that there is no mention of “rural deals”. The CLA would encourage those LEPs that have either already identified the rural economic or rural activity to be crucial to the local area to bring forward a proposal for government on the need for a clearer devolved approach, particularly in terms of transport and infrastructure budgets.

The CLA also wishes to express its concerns that there is a potential funding gap between Rural Development Programme for England (RDPE) support for economic projects already being spent and that no monies will be
made available for rural businesses until the reform of the Common Agricultural Policy is implemented. We believe that the LEPs have to be proactive in bringing together smaller business projects into a programme bid so that they can obtain funding.

**THE RELATIONSHIP BETWEEN CENTRAL GOVERNMENT, LOCAL GOVERNMENT AND THE LEPs**

In any system where a structure has been established outside of the traditional central/local government framework and which requires co-ordination between all three bodies, there is always going to be an element of conflict. Indeed, the potential for such conflict can act as a positive driver. However, there is also the real possibility that the relationships between these three bodies could lead to serious problems for the activities of the LEPs and even lead to objectives being frustrated.

It is evident from the composition of the LEP boards that a conscious effort has been made to ensure that any conflict is resolved swiftly. Indeed, we welcome the fact that mechanisms appear to have been put in place to make the running of the LEPs as efficient as possible.

Nevertheless, given the stated aims of many of the LEPs have cross overs with areas of responsibility within a local authority, for example, planning, there is scope for a “Yes Minister” mentality to take hold. Therefore, it is clear what is required is a definitive and common statement by the LEPs as to how they will work with central and local government.

The CLA is also concerned at the apparent high “turnover” of LEP board members. Such a situation is simply not conducive to effective decision making.

The position of central government is crucial in making the LEP structure work. Indeed, the CLA supports the principle of the public and private sectors working together within the LEPs to facilitate economic rebalancing. It is regrettable that the perceptions given by central government are such to promote the view of local businesses that “confusion and stagnation appear to be the hallmarks of the new system. Nothing seems to be happening.” Of course, this could be the result of a breakdown in communication and it is fundamental that the messages of the LEPs, in terms of their vision and ambitions, are communicated to all business groups. In order to be able to do this, the LEPs themselves need to begin to engage more fully with the local business community. What is required is effective and strong leadership.

We are also concerned that there appears to be mixed messages coming from certain LEPs. For example, the North East LEP has stated in its aims that it wishes to be the programme manager for the Rural Development Programme for England (RDPE). This aim directly contradicts the stated policy of Defra that the internal Rural Communities Policy Unit (RCPU) will lead on the RDPE.

**LEADERSHIP AND COMMUNICATION**

With regard to local political leadership and the connect between the LEPs and local businesses, the picture is mixed with the majority aiming to make some contact with the local business community but with many small businesses simply not registering the LEPs existence. Given that the LEPs have been in place for some time, such a situation gives us a great deal of concern. Certainly, on the evidence the CLA has received from its members, there is not the recognition there should be if LEPs are to be effective.

Indeed, there is a general perception that LEPs find it easier to work with larger businesses in order to meet their objectives. It is not the case that LEPs are failing to connect just with rural businesses but with many small businesses. This was very much the case with the former RDAs and it would be particularly unfortunate if LEPs failed to learn from this mistake.

The CLA reiterates the earlier point that in order for leadership to be effective there has to be clear communication and proper engagement. We can only see this in a handful of LEPs. We believe that engagement must be taken forward as a priority otherwise there runs a real risk that any good work from the LEP will not be disseminated to all of the local business community. This requires the proper allocation of resource.

**CONCLUSION**

Based on the evidence we have received, the CLA believes that the performance of LEPs to date has been patchy and, at times, confusing and ineffective. But we recognise that it is still too early to establish whether the LEPs will be successful or not.

However, we believe that the following points require further consideration:

- LEPs need to engage with rural businesses as well as rural communities. What we do not want to see is a repeat of the mistakes made by the former RDAs in executing priorities;
- LEPs need to understand the needs of rural businesses, particularly when it comes to projected funding and consideration needs to be given to LEPs putting in place proposals for funding explicitly linked to rural business;
- There needs to be a measurement instrument for all LEPs to establish their effectiveness in terms of meeting their objectives and more importantly, in meeting the needs of rural business; and
— There needs to be a more effective and joined up approach in communicating to small businesses in rural communities. The perception and knowledge of LEPs is either poor or non-existent. It is clear a better communication framework needs to be put in place.

Harry Cotterell
President, Country Land & Business Association
10 December 2012

**Further supplementary written evidence submitted by the Country Land & Business Association**

Thank you for asking me to give evidence at your inquiry into rural communities. During my evidence I promised to write to you regarding housing. The CLA’s members are uniquely placed to provide housing in rural areas.

Many of our members own land on the edge of settlements or in greenbelt locations and are in a position to assist with the national housing supply shortfall. The overwhelming majority retain rented housing stock with over 38% (Joseph Rowntree) of let housing in rural areas owned by CLA members—often at sub-market rents. With this in mind increasing rental portfolios through new build is of particular interest to CLA members.

The CLA is currently reviewing its housing policy and through it seeks to harness members’ capability to deliver housing on the ground. The draft policy has been formed following extensive consultation amongst the CLA’s 34,000 members; below are some of our consultations findings

**Barriers to the Delivery of New Housing and Maintenance of Existing Stock**

1. Poor Implementation of the NPPF

   The existing CLA Housing Policy from 2004 was a success with many of its recommendations being used in the 2011 National Planning Policy Framework (NPPF). CLA members, however, report that the NPPF is not always being implemented to its fullest extent. The CLA’s policy team is compiling a list of LPA’s who are not implementing all of the NPPF and as a result are:
   — failing to recognise that without new open market housing in rural locations, the sustainability of settlements will be affected;
   — stifling the breadth of the rural economy and generating large house-price differentials with urban areas and making rural housing a sought after commodity unaffordable for many; and
   — failing to recognise that many urban brown field sites are faced with extensive clean-up programmes and are now unviable and therefore should not be allocated for housing provision but put forward instead for “greening programmes.”

2. Difficulties in bringing redundant farm buildings forward as new housing stock

   Some LPA’s will only consider economic development uses or affordable housing use for redundant farm buildings. Owing to the building, construction and expense, however, of converting some farm buildings there is no viable means of developing these buildings is as open market sale housing.

3. Taxation Disincentives

   Many CLA members charge sub-market rents for their let housing but there is no tax incentive for them to do this because of the lack of capital gains tax holdover relief. This means that lifetime transfers of such properties accrue capital gains tax. Likewise, with minor exceptions, there is a general lack of inheritance tax business property relief for let residential property. Unless taxation disincentives are tackled by the Treasury, landlords will be discouraged from providing new rented housing in rural areas.

4. Tenancy Reform

   The archaic nature of the 1976/77 Rent Act can also cause problems. Members have identified inconsistency and a lack of transparency regarding different decisions from different rent officers. Succession rights in such stock also flies in the face of recent changes made to the new freedoms (Localism Act) awarded to local authorities and housing associations, who are now able to charge rents at 80% open market rents and offer flexible tenancies.

   Since the credit crunch of 2007, some CLA members will have had to raise rent levels on assured shorthold properties. Higher rents in AST tenancies enable increased investment in housing stock that owing to its traditional construction type is expensive to maintain. Subject to taxation reform, and the impact that such
Written evidence submitted by the National Farmers' Union (NFU)

The NFU represents 55,000 farm businesses in England and Wales. In addition we have 41,000 countryside members with an interest in farming and the countryside.

Rural Communities

Preamble

1. The NFU is pleased to submit evidence in relation to the Committee's inquiry focusing on the work of the Rural Communities Policy Unit (RCPU), its ability to act as a rural champion in the heart of government, and its effectiveness in delivering rural development. We have structured our submission so that it follows the format of the Committee’s Inquiry announcement and questions.

The approach of the Rural Communities Policy Unit

2. The RCPU has tried to engage with rural communities, by means of publications such as its Rural Economic Bulletins and attendance at local/regional events. Engagement with farmers (other than at one-off events) is likely to be mainly via the Rural and Farming Network (RFN), and much depends on the effectiveness of the constituent members of those local groups in representing the views of their members and then transmitting answers following meetings. The RCPU seems reluctant to keep national organisations informed of the work of the RFN.

3. If the RFN is to perform a valuable role in facilitating two-way communication it will be necessary to ensure that representatives are well-briefed on the matters to be discussed with Ministers (which will mean giving them ample notice of discussion topics and meeting papers, allowing time for evidence collection and consultation). Agreeing an outline work programme for periods of around 12 months may help groups to structure their activities and optimise their usefulness to Ministers and to the people they represent.

4. By its very nature, ensuring that the voices of the hardest to reach can be heard is challenging. It does appear that the RCPU has gone out of its way to ensure that the RFN has broad representation, though it is a little early to say how effective this will be: the first meeting of RFN Chairs was held in April 2012, and no minutes have been published.

5. The NFU believes there is value in having an independent view taken of progress with rural proofing at the national level and other aspects of the RCPU’s work, and continuing, strong rural advocacy; however we do not believe that new State-funded institutions are required. The RCPU can be expected to identify and highlight rural issues, and we welcome the EFRA Select Committee’s scrutiny of the work of the Policy Unit and hope it will continue. The Rural Coalition, of which the NFU is a member, has a role to play in engaging with the RCPU and challenging it where necessary on policy initiatives. The RFN should flag up issues growing in seriousness at a local level and provide an additional channel of communications for Defra Ministers, individual pressure groups and trade associations such as the NFU will also highlight problems and offer advice, whether directly to the RCPU or via bodies such as the Rural Coalition. All these organisations and backbench MPs, Peers, local authorities and Local Enterprise Partnerships should collectively be able to fill the gap left by the Commission for Rural Communities and rural advocate.

6. It is necessary for Defra to decide whether the role of the RCPU is to be strong and visible champion of all matters rural or the delivery body for a much narrower and shorter agenda. In our view the “champion” role carries risks: positively it promises to have a more significant, beneficial effect on the operation of Government as a whole, provided Defra Ministers wholeheartedly adopt the RCPU’s recommendations, and delivery should be delegated to arms-length bodies such as Natural England and the Environment Agency; the danger is that the RCPU becomes a small, under-resourced faction within Defra’s policy discourse, hardly able to champion rural issues across Defra’s own broad remit, let alone wider government at all scales. Rural expertise is a broad topic, and some prioritisation may help: should the core focus be on businesses, people, natural environment or services? Ministers will need to make clear which of the two paths it wishes the RCPU to take, and ensure that the resources are available for the RCPU to carry out its key functions.

7. Previously, CRC fed in to government consultations in a formal way, as would any other organisation. This made the process transparent and the CRC’s views accessible. Since the RCPU was established, it has not responded to consultations in the same way. It is therefore not known whether the RCPU is offering a valid rural perspective to emerging policy thinking, and their perspective is not shared with other stakeholders. The NFU previously called for RCPU responses to be made publicly available via Defra’s website to counter against a loss of transparency. We maintain that publishing feedback to other government departments and
making stakeholders aware of relevant consultations are critical to develop awareness and understanding of the unit’s views and role.

8. Similarly, best practice would in our view include informing stakeholders that the Government’s response to a consultation was about to be published.

9. However, in other respects the RCPU has been transparent. It has for example engaged openly with rural LEPs (primarily via the Round table) and with the Rural Coalition.

10. The effectiveness of the RCPU should be measured against a set of SMART objectives linked to its role; these objectives could relate to, for example, visibility and awareness, engagement with stakeholders, and progress on key rural issues.

11. We see no pressing need for an independent Rural Advocate. His/her functions can be performed by a combination of the bodies mentioned above in paragraph 5.

Rural grants and funding

12. Expectations of the Rural Economy Growth Review are limited because REGR utilised existing RDPE funds and was not the new investment in rural areas that the package headlines suggested. We will address in turn the seven measures that made up the REGR package.

(a) Rural Community Broadband Fund
Some critics have dismissed this scheme as designed to quieten the increasingly strident voices of dissent coming from vociferous people in rural areas: it relies on groups of people having the necessary organisational skills and means to prepare a plan and amass the necessary match-funding. Hence it is said that the money will go to people of means rather than people in need. There may be some substance to the criticism, though we have responded pragmatically and positively by encouraging our members to become involved in local groups to make best use of the limited funding. We explain below (paragraph 16) why much more public funding will be required to deliver faster broadband to people in remote rural areas.

(b) Rural Growth Networks
The NFU is broadly supportive of the plans for Rural Growth Networks, although we clearly need to see what comes of the initiative, maintaining contact with Defra to identify any changes needed before any national roll out. We were pleased to note that Defra invited bids for the evaluation contract at an early stage: it will be important to identify and share best practice from the beginning. The LEP Round Table, which is supported by the RCPU, has a key role to play in this.

(c) Farming Regulation Task Force
(i) The NFU welcomed the report but we are emphatic that implementation of the recommendations remains key with actions needed to match the rhetoric if farming businesses are to benefit.
(ii) With Defra accepting the majority of the recommendations there are many positives. They have agreed to reduce burdensome regulation and promote a change of culture, cutting paperwork and giving greater recognition for high-performing businesses. These cross-cutting themes are consistent with NFU aims.
(iii) The NFU has committed to playing its part in supporting and working with Defra to find solutions and make progress. The NFU has led the industry in advancing proposals to the Task Force (eg without NFU’s development of farm assurance there would be little basis for earned recognition). We have continued working with Defra and Red Tractor Assurance to recognise third-party certification schemes, reducing compliance burdens on farmers with cross compliance identified as a priority. We are now awaiting Defra’s earned recognition plan detailing how they intend to implement it across different inspection regimes. The Committee might wish to enquire about progress.
(iv) We are also committed to establishing closer regional working between industry and regulators and are taking this forward via regional inspection forums. We have also submitted a proposed data-sharing statement to Defra allowing data they collect to be used across the Defra family. This is a crucial first step toward reducing the frequency of repeat data requests.
(v) While progress is being made in some areas we welcome the establishment of an implementation group to support the report’s implementation. A key role of this group is to hold Defra to account on progress to achieve a better-regulated industry, supporting productive and profitable farming. We are also looking to Defra Ministers and officials to champion the industry and lead action within Defra and across Government and in Brussels.

(d) Rural Development Programme for England
(i) Defra has been successful in designing new capital grant schemes, attractive enough to result in considerable over-subscription, and currently appears to be on course to spend the 2007–13 programme money on time. Defra is engaging with stakeholders over priorities for spending the additional £5 million announced in July for the dairy sector. Our main concern at present is that the Skills and Knowledge Transfer Framework is taking longer than expected to be
established and the process has been bureaucratic and fraught with difficulty. We need assurances that the necessary steps will be taken to ensure completion of training programmes before the deadline for the RDPE programme.

(e) Rural Tourism
We understand that Visit England already had some funding available prior to the Autumn Statement and has secured more from the Regional Growth Fund. We understand that the RGF money is to be used for marketing whereas the RDPE money will be focused on product development, and look forward to learning more about how tourism enterprises, some of which are run by farmers, will benefit.

(f) Food and Drink Export Action Plan
(i) Food and drink has already achieved notable export success: the sector has recorded its seventh successive year of export growth.
(ii) Clearly any activity that supports the sale of British agricultural produce abroad is beneficial to UK agriculture and is welcomed by the NFU. Whilst very few farmers export produce themselves, the removal of barriers to exporting, such as import bans of British produce, will have a positive impact on agriculture. The plan should also assist those farmers who add value to their produce through on-farm processing, as they will be able to explore export opportunities more easily. A large part of the plan is concerned with bringing together existing activities and organisations, with the intention that these functions become better co-ordinated, but it should also enable the transfer of best practice across sectors.
(iii) A plan for growing exports must however be considered alongside other factors. Currency movements could continue to work against UK export competitiveness. We know that limited red meat supplies in the UK are constraining export growth for beef and lamb. At the same time, UK food imports continue to grow and there remains the opportunity for import substitution. Growing our exports is positive, and needs to be part of a wider goal of growing the UK agri-food industry overall.

(g) Rural Community Renewable Energy Fund
(i) The NFU has for some time been calling for such a scheme (eg under the AD Strategy) to help farmers manage the risk of early-stage investment in renewables projects. This should be particularly suitable for farm-scale AD, for which it is harder to raise finance, as long as farmers can demonstrate a rural community benefit.
(ii) A revolving loan fund will be more effective (ie help more projects) if it has a higher probability of “recycle”: dividing up the loans between a greater number and diversity of projects would probably increase the rate of turnover. This is a welcome development.
(iii) Based on observations of the Scottish scheme, the typical scale of projects (average of 1.3 megawatts) may be larger than many farmers would want. A focus on smaller projects, but more of them, would suit farmer-led projects better. It is not clear to us what stakeholder engagement Defra is undertaking in order to ensure that the scheme is designed to meet the needs of all concerned.

13. Although the NFU welcomed the REGR package, we were disappointed that fiscal incentives remained firmly off the radar of the Growth Review team. Fiscal incentives are a key policy tool that could have been used to encourage capital investment, in turn providing significant wider economic benefits for the rural economy.

Reform of Pillar II of CAP

14. In the NFU’s opinion it is highly unlikely that the legislative framework for the new EAFRD, including implementing regulations and subsequent programme approval will be finalised by 31st December 2013 when the current RDPE is due to expire. Urgent clarification is required from the European Commission as to what will happen should delays indeed materialise and a policy hiatus arises. It is possible that the current programme is rolled forward into subsequent years, but, if this were to happen, on the basis of what budget? It may also be possible for the authorities to operate an un-approved programme on the basis of legitimate expectations of the legal framework. This approach incurs the additional risk of disallowance should the member state be deemed to have approved expenditure to claimants that is later defined as unacceptable by the Commission. This approach incurs the additional risk of disallowance should the member state be deemed to have approved expenditure to claimants that is later defined as unacceptable by the Commission.

15. Transitional regulations to bridge the current EAFRD to the next are required as soon as possible to articulate the precise course of action for member states.

16. Uncertainty and the lack of clarity as to what will happen may lead to two possible scenarios: the first is that a large number of claimants rush to submit applications to meet the 31st December deadline under the current programme, placing undue pressure on resources to process those applications ahead of the deadline and, as the deadline looms, some may be unsuccessful due to processing time. The second is that projects in the pipeline are left “in limbo” whilst the legal framework is delayed, thereby delaying benefits to the rural economy. Under this scenario, finance, availability of materials and labour to complete the project would all be subject to the uncertainty of delays.
Government Policy

17. The Government’s Rural Statement is expected to cover a range of subjects including the roll-out of faster rural broadband. If anything the digital divide between urban and rural areas is widening: soon we expect to learn of a second tier of cities to be provided with ultrafast broadband (80-120 megabytes per second or even faster), and BT are said to be spending £2.5 billion to bring superfast broadband to two-thirds of UK premises by the end of 2014. Meanwhile Defra struggled to find £10 million to match the same sum provided by Broadband Delivery UK to help communities in the “last ten percent” of the population, i.e. the most rural areas. In August, DCMS Secretary Jeremy Hunt announced that the Government was able to spend an additional £300 million on broadband. We hope that the Rural Statement will make it clear that a large part of that extra sum will be devoted to helping the “last ten percent”.

18. In this context “Digital by Default” should mean digital as the primary way of transacting with Government not the only way, and a mandatory digital approach must be avoided at least until the digital divide is significantly narrowed. Defra is among the Departments following HMRC’s mandatory approach to online services. Defra also needs to satisfy itself that state aid rules definitely require that public money is only put into schemes providing superfast broadband; they would help more people if they were offering assistance with schemes providing medium speeds. In our view most rural businesses would be content with around ten Mbps; on present trends, by 2015 most of them will struggle to achieve download speeds of two Mbps (and lower upload speeds), whereas a few rural people will enjoy superfast broadband and many urban residents and businesses will benefit from ultrafast.

19. The NFU believes strongly that the route to sustainable hill farming lies in a profitable and productive extensive beef and sheep industry. While there have been encouraging signs for sheep producers in particular, based on the export markets driven by a favourable exchange rate with mainland Europe, the fundamentals for many upland livestock farmers remain challenging. Defra’s review indicates that wider rural economy measures, diversification and reward for environmental management may provide new income streams. However we do not accept that a focus on measures that do not also substantially bolster core farming actions, will deliver a sustainable upland sector. Thus Defra’s review may have been better placed to have focused on bolstering the actions and applied research of EBLEX, part of the Agriculture and Horticulture Development Board, and ensuring that the European Commission’s proposals to review the Less Favoured Areas classification accurately reflect the nature of agricultural constraint in the UK situation.

Written evidence submitted by Community Transport Association UK

1. Introduction

1.1 This evidence is submitted by the Community Transport Association (CTA) which is a national charity giving voice and providing leadership, learning and enterprise support to a wide range of organisations delivering innovative and flexible transport solutions to achieve social change in their communities.

1.2 Community transport and expanded rapidly in recent years for a variety of reasons, particularly in rural areas. Services include minibus (demand responsive/dial-a-ride), voluntary car schemes, minibus hire, scheduled bus services, wheels to work and patient/visitor transport.

1.3 CTA welcomes the inclusion of transport as one of the Ministers’ rural priorities and for this to be an important part of the work by DEFRA’s Rural Communities Policy Unit.

1.4 The CTA is pleased that the Government is preparing a Rural Policy Statement and hopes that transport and the importance role played by the voluntary sector in delivering rural transport solutions will be recognised in this statement.

2. The Role of Community Transport

2.1 The importance of the voluntary sector in providing vital transport services in rural areas has grown significantly in recent years. This has come about for a number of reasons including:

— Cutbacks in mainstream public transport due to budget reductions by local transport authorities or increasing financial pressures faced by the operators themselves, have increased the need for alternative provision.

— An increasing recognition by local authorities and others of the role that can be played by the voluntary sector in meeting rural transport needs.

— The injection of money by the Department for Transport over the past two years, amounting to £20 million, to assist 76 English rural local authorities introduce sustainable community transport solutions in their areas.

— An increasingly elderly population in rural areas needing access to a range of vital services that have been diminishing in rural areas and become concentrated in fewer locations.
The CTA would like to see the increasingly important role played by the community transport sector recognised as an integral element in the Government’s rural policy.

3. Rural Transport

3.1 CTA welcomes inclusion of transport as a key policy area occupying the work of the RCPU. We urge that this should be considered in the broader context of access to services for rural people. Many important services are not available to rural residents and community transport is often the only affordable means by which these can be reached. This includes vital medical services (including doctors’ surgeries, hospital visits), banks, post offices, convenience shopping and day centres.

3.2 Although community transport is significantly used by older and disabled people, the reduction in regular mainstream public transport has increased the need for other people in rural areas without access to their own private transport. There are a significant proportion of households in rural areas who do not own a car for whom alternative transport provision is a vital necessity.

3.3 A major transport issue for rural areas are the needs of younger people. They face considerable difficulties accessing further education, training, apprenticeships and employment opportunities as well as leisure facilities. We suggest that the RCPU gives particular attention to the transport needs of younger people in rural areas.

3.4 Wheels to Work schemes are an established means by which people in rural areas can gain access to work and training. However many such schemes in recent years have struggled to survive, usually through lack of funding. The more progressive schemes have become social enterprises showing that it is possible to operate with less dependence on public funding. Nevertheless, there is a need for more collaborative working across the various government departments (DEFRA, DfT, DWP) who have a stake of the success of Wheels to Work. We would like to see this need taken forward by the RCPU as well as given recognition in the forthcoming Rural Statement.

3.5 A major transport concern for rural communities is access to health. As mentioned above, this forms a significant part of the role of community transport: non-emergency treatment and visits to friends and relatives in hospital. The health service has gradually been retrenching its commitment to non-emergency transport which has placed added pressure on the voluntary sector to fill this need. Although there have been many productive initiatives to promote collaborative working between the health authorities and other agencies, including local authorities and transport operators, there remains much scope to improve this joint working. This is another area that the RCPU could usefully look at bearing in mind the proposed disbandment of PCTs.

3.6 Provision of registered local bus routes delivered by community bus services has become an increasingly important part of the business of community transport, assisted by changes in legislation. CTA considers there is further scope for developing this area and we would be pleased to continue a dialogue with both DEFRA and DfT regarding further policy initiatives and legislative changes.

4. The Work of the RCPU

4.1 The CTA has developed a close working relationship with DEFRA and we hope this will continue as part of the RCPU’s work programme, particularly given that transport will form an important element of their work. Recent joint working has included the latest State of the Sector report on community transport which is being launched in mid-September (the 2012 edition of this report focuses specifically on rural transport). This research demonstrates the growing importance of the sector for rural communities and showed that:

4.1.1 There are at least 2,000 community transport organisations operating across England: nearly one-third of them are based in rural areas.

4.1.2 The sector provides 15 million plus passenger journeys each year, of which eight million are undertaken in rural areas.

4.1.3 At least 42,000 voluntary groups use community transport every year.

4.1.4 There are more than 60,000 people who volunteer with community transport organisations, of which 48,000 are in rural areas.

4.1.5 At least 10,600 people work in paid employment the community transport sector, of which over 2,000 are in rural areas.

4.1.6 The most common services provided by community transport organisations are group transport, community car schemes and door-to-door transport, but community transport organisations also provide a wide range of other services including community bus services, wheels to work schemes and driver training.

4.2 It is important that the role of RCPU includes close engagement with local communities and service providers. The CTA would be happy to assist the Unit in involving the voluntary community transport sector and to ensure their views and issues are fully taken account of in any policy initiatives. This will be particularly important if the independent Rural Advocate role is discontinued.
5. GOVERNMENT POLICY

5.1 We welcome the forthcoming Rural Policy Statement and hope there will be an opportunity for input from interested parties once this has been revealed in taking forward the proposed policy direction.

5.2 Given that transport is one of the critical areas identified by DEFRA for future work, we hope that transport will receive prominent attention in the Statement, including the importance the community transport is and could play in helping rural communities find solutions to its access issues.

September 2012

Written evidence submitted by Department of Environment, Food and Rural Affairs

INTRODUCTION

On 1st April 2011, the Rural Communities Policy Unit (RCPU), a centre of rural expertise, was created in Defra. The RCPU is the lead rural policy function within Government. It is designed to engage more effectively, and at an earlier stage, in the development of policy across Government. The RCPU sits within the Rural Development, Sustainable Communities & Crops Directorate within Defra. The aims of this directorate contribute toward:

- Building a thriving rural England with strong and cohesive communities that contribute to economic growth.
- Protecting and enhancing the value of our unique landscape, supporting communities and encouraging individuals to enjoy the outdoors and reconnect with nature, to improve health, well-being, the local economy and promoting sustainable development.
- Delivering a strong and coherent approach to implementing CAP reform.

The RCPU's role includes, among others, the following functions—Rural Proofing Government policies, enabling rural economic growth, broadband and mobile phone infrastructure delivery, stakeholder Engagement and building the Rural Evidence Base.

In September, the Secretary of State launched the Government's Rural Statement. This statement underlines our commitment to Rural England. It reflects our vision for successful rural businesses and thriving rural communities. The Statement paves the way for a refreshed and reinvigorated approach to rural proofing of Government policy. Supported by the RCPU, policy makers will explore the evidence of rural need and circumstance; consider the options for fair rural outcomes; and, where appropriate, adjust their policies or delivery to achieve these outcomes.

Take for example, broadband. effective, reliable and fast communications are vital for economic prosperity and the social sustainability of rural England. This is why we have made rural broadband a top priority for Government in order to stimulate economic growth. Government is looking at ways of improving broadband and mobile services, including speeding up of deployment of broadband infrastructure.

This is a Government, from the Prime Minister, down that has strong rural credentials. We have clear and bold ambitions for our rural areas. Defra Ministers are bringing forward new, more effective approaches to ensuring rural needs and opportunities are properly understood before decisions are made.

This EFRA Select Committee Inquiry in to Rural Communities is a welcome examination of this Government’s efforts to ensure better outcomes on behalf of rural communities and business. It is an important opportunity to demonstrate both our commitment and our actions to support the interests of those living and working in rural areas.

1.0 THE APPROACH OF THE RURAL COMMUNITIES POLICY UNIT (RCPU)

1.1 How effective has the RCPU been in engaging with rural communities?

1.1.1 The RCPU has made engaging directly with key representatives of rural communities and businesses a key priority. The RCPU maintains structured engagement with the following:

1.1.3 The Rural Community Action Network (RCAN): Defra provides funding for a network of 38 rural community development organisations (collectively known Rural Community Councils) across England. RCAN is facilitated at a national level by Action for Communities in Rural England (ACRE) and the network supports community-led action in rural areas and works to increase the long-term sustainability of rural community life.

1.1.4 ACRE provide Defra with a responsive two-way relationship on a number of key themes outlined in the Rural Statement. This provides Defra with insights from front line community engagement on live government policy issues.

1.1.5 The Rural and Farming Network: This network of 17 local groups from across England has been established to identify and feedback local issues and concerns direct and unfiltered to Defra Ministers. Each
group is self-organising and self-supporting, bringing together people from rural communities and rural businesses (including the food and farming industries). See Annex 1

1.1.6 The Rural Coalition: The RCPU regularly meets the Rural Coalition to ensure they are given the opportunity to input early into key Government policy areas, for example, on housing, planning and economic growth. Chaired by Lord Robin Teverson, the Rural Coalition comprises 15 member organisations who subscribe to a vision for a living and working countryside (as set out in their The Rural Challenge: Achieving Sustainable Rural Communities for the 21st Century report).

1.1.7 Local Economic Partnerships (LEPs): Defra facilitates a regular Roundtable for LEPs to discuss, among other policy issues, the rural economy. It provides an open and frank forum for exchange of views and experience amongst the LEPs and with policy makers.

1.1.8 The Rural Services Network: A working arrangement with this membership organisation devoted to safeguarding and improving services in rural communities across England enables the RCPU to disseminate information and call for evidence about rural impacts and solutions.

1.1.9 The Leader Exchange Group: Representatives from Local Action Groups (LAGs) and Accountable Bodies across the country have recently been invited to join this new national group. The main responsibilities of the group will be to:

- Provide a structured environment for LAGs, Accountable Bodies, Defra and other appropriate Government Departments to share ideas, experience and views on the Leader approach;
- Support Leader delivery until the end of the current Rural Development Programme for England in December 2013, sharing information on programme performance, management and delivery issues;
- Support the development of the Leader approach in the future Rural Development programme in England; and
- Support and promote better communication between Defra, the RDPE Network, LAGs/Accountable Bodies and the wider Leader community.

1.1.10 In March 2012, the RCPU invited a wide range of stakeholders to a workshop on the RCPU’s work and research programme. Stakeholders were invited to take part in a horizon scanning exercise to identify gaps in the RCPU’s evidence plan and suggest how these should be addressed. The organisations were also asked how they wanted to be involved in Defra’s rural research and evidence work in the future.

1.1.11 The RCPU has already appointed a number of external members to the steering groups overseeing current research projects and will be considering additional mechanisms to ensure ongoing independent input to Defra’s rural evidence base. The RCPU will keep the data it provides under review, responding to changing need and seeking to ensure that statistical evidence produced by other organisations provides an urban/rural analysis where appropriate.

1.2 Has the RCPU done enough to ensure the voices of the hardest to reach can be heard?

1.2.1 The RCPU has achieved some notable successes in ensuring vulnerable rural communities are taken into account in policy development:

**Key Examples**

£530 million rural broadband programme—The Government is investing in a £530 million rural broadband programme to support the rollout of broadband into the “final third”. The aim is to enable at least 90% of households and businesses in every area of the UK to have access to a superfast broadband service by 2015, with the remainder having access to at least two megabits per second by this date. Local Authority Local Broadband Plans set out how this target is to be achieved in individual areas. It is therefore forecast that around 10% of premises (predominantly in rural areas) will still be unable to access superfast internet services for the foreseeable future. The Broadband Delivery Framework has now been signed by BT and Fujitsu and local authority projects teams across the country are working with BDUK to prepare for procurement. BDUK is in intensive dialogue with the Commission over the State Aid approval, and hopes that it will agree final aspects in September/October. The first of the projects in North Yorkshire is expected to begin delivery in October with other projects following in a timetabled pipeline.

In addition, Defra’s RCPU has worked across Government to develop a new package of broadband measures to help facilitate rollout, as announced by the Culture Secretary on 7 September. This includes proposals to relax restrictions in the planning system which would allow overhead lines and street cabinets to be installed

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3 These are: Action with Communities in Rural England (ACRE); Action for Market Towns (AMT); Arthur Rank Centre; Campaign to Protect Rural England (CPRE); Country Land and Business Association (CLA); County Councils Network; Local Government Association; National Association of Local Councils (NALC); National Farmers Union (NFU); National Housing Federation (NHF); Plunkett Foundation; Royal Institute of Chartered Surveyors (RICS); Royal Town Planning Institute (RTPI); Rural Services Network (RSN) and Town and Country Planning Association (TCPA). See also: http://www.ruralcoalition.org.uk/

4 The LEADER rural grant programme will run from 2008—2013. The LEADER Programme is designed to support local businesses, farmers, foresters, community groups, those involved in tourism and a range of rural enterprises. The fund can cover 50% of the cost of a project up to £50,000. If the project is a farm diversification the programme may be able to offer up to 100% grant.
without the need for planning or other permission, except in Sites of Special Scientific Interest (SSSIs). Providers will be encouraged to engage with the local community on the siting of overhead lines, and Defra will support the development of good practice guidelines. Defra will coordinate communication with National Parks and Areas of Outstanding Natural Beauty to discuss specific issues around the Government’s approach to deployment of improved broadband and mobile services and infrastructure.

Rural Community Broadband Fund—Community broadband projects will be important in the very hard to reach areas of the country where a minimum standard broadband of 2M bps is proposed. To complement the Government’s mainstream rural broadband programme, Defra has established the £20 million Rural Community Broadband Fund (RCBF), jointly financed by BDUK and Defra and operated through the Rural Development Programme for England.

The Fund is specifically designed to extend superfast broadband into the final 10% hard to reach rural communities that will otherwise only receive standard broadband under the BDUK rural broadband programme (to ensure that they are not disadvantaged). Under the Fund, in recognition of the importance of some of the remotest communities in uplands areas, upland projects are given additional weighting during application appraisal and are treated as a priority. Under Round One of the RCBF, three uplands projects were endorsed with conditions (total grant request = £486,000. Of the 46 Expressions of Interest received in response to the second round, nine Expression of interest bids are located in upland areas, with a total grant request of £4.3 Million. The outcome of the round two appraisal process is expected to be known in late September.

Mobile Infrastructure Project—Government is also investing £150 Million to improve mobile coverage for consumers and businesses in areas where coverage is poor or non-existent. The Mobile Infrastructure Project (MIP) aims to address voice “not spots” and support mobile broadband roll-out across the UK. It will improve voice and data coverage, and could yield important benefits in rural areas across the UK where commercial providers are reluctant to invest. The MIP is being delivered by Broadband Delivery UK, and it is expected that it will:
- Provide coverage for up to 60,000 premises across the UK in complete not-spots; and
- Address total not-spots along an initial 10 key road routes which suffer coverage problems.

Rural Fuel and Energy: Rural fuel poverty is often a diffuse and dispersed problem within rural areas. Working with ACRE, the RCPU has set up a fuel and energy group of eight rural community councils with a particular focus on tackling fuel poverty. This group provides regular feedback on rural fuel and energy issues affecting rural communities, through formal meetings and ad hoc requests for advice. These frontline practitioners have become specialised in understanding and addressing rural fuel poverty in some of the hardest to reach rural communities.

The RCPU sits on DECC’s review of fuel poverty group which is following up Professor Hills’ review of the fuel poverty definition. We continue to work closely with DECC on its energy efficiency schemes to ensure that needs of rural communities are recognised and taken into account in DECC policies. For instance, the RCPU produced a cost of fuel paper in March which sets out what the Government has done on transport fuel and household fuel, and aim to produce a Rural Fuel Charter later in the year, in conjunction with DECC. This will set out, for the first time, advice for households living in rural areas on improving home energy efficiency and reducing energy costs.

1.3 How effective has the RCPU been in engaging with other government departments, for example, providing challenge and ensuring policy is “rural proofed”

1.3.1 Rural proofing requires policy-makers to consider the rural impacts of their policies and programmes and, where necessary, to make adjustments in order to achieve equally effective and successful outcomes for individuals, communities and businesses in rural areas.

1.3.2 The RCPU supports rural proofing by providing advice, guidance and support to policy officials across Government, including through published rural proofing guidance materials. A new package of support will offer policy makers practical and robust examples of good practice (this will be launched in autumn).

1.3.3 The results of the Local Rural Proofing project (published in July) undertaken with partner organisations involved in local level delivery, such as the Local Government Association, National Association of Local Councils, Action for Communities in Rural England, Rural Services Network, County Councils Network, Commission for Rural Communities and the Community Transport Association. The RCPU is also currently working on a revised Rural Proofing for Health Toolkit alongside the Department for Health.

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5 See: http://www.defra.gov.uk/publications/2012/03/30/pb13741-rural-fuel-costs/
6 The new rural proofing guidance will be available at: http://www.defra.gov.uk/corporate/about/how/policy-guidance/rural-proofing/
Effective Examples of Rural Proofing

Department of Communities and Local Government: The Business Rates Retention Technical Consultation, published in June 2012, includes proposals that recognise the added cost of public service delivery in rural areas. These proposals were informed by evidence provided by RCPU through engagement with stakeholders and presented at the Local Government Resource Review Baseline working group. The circumstances of rural Local Authorities are recognised in the consultation, with higher baseline settlements proposed for them than for urban Authorities. Rural impacts were considered at an early stage of the policy cycle, allowing the focus during consultation to be on whether the adjustments were adequate.

The National Planning Policy Framework (NPPF) will help the creation of jobs and prosperity, by taking a positive approach to sustainable new development. To promote a stronger rural economy, local and neighbourhood plans should:

- Support the sustainable growth and expansion of all types of business and enterprise in rural areas both through the conversion of existing buildings and well designed new buildings;
- Promote the development and diversification of agricultural and other land based rural business;
- Support sustainable rural tourism and leisure developments that benefit businesses in rural areas, communities and visitors, and which respect the character of the countryside. This should include the provision and expansion of tourism and visitor facilities in appropriate locations where identified needs are not met by existing facilities in rural service centres; and
- Promote the retention and development of local services and community facilities in villages such as local shops meeting places sports venues cultural building public houses and place of worship.

An additional element to housing policies which we know is of importance to rural housing schemes is the option for allowing some market housing on rural exception sites where it would lead to additional affordable housing.

Open Public Services (OPS)—A rural proofing case study was included within the OPS White Paper and subsequently a rural proofing workshop was held with OPS Implementation Plan lead officers. As a result Cabinet Office and Defra's RCPU developed a cross cutting fair access objective, which included meeting the needs of rural communities in service delivery.

Department of Health: The Government's Health's Care and Support White Paper incorporates policy proposals that address rural delivery issues.

The RCPU and DH's Mental Health team have worked together with key stakeholders to gather evidence of rural and urban mental health issues. This has helped, DH to tailor their mental health implementation plans more effectively at local level.

The RCPU and DH's Suicide Prevention Strategy Team explored the sectoral, rural and urban patterns of employment where suicide is known to occur. This has helped DH to tailor and deliver their implementation strategy, taking into account sectoral and geographical dimensions.

Department for Energy and Climate Change: The design of the Energy Company Obligation, ensured that the Carbon Saving Community element delivered energy saving measures to the most deprived households in rural areas. This goes beyond just utilising the Index of Multiple Deprivation (IMD), which can overlook the smaller pockets of deprivation, to take into account individual households. All low income rural households are now eligible for the CSCo strand of the fund rather than only those in deprived areas. This will see energy suppliers delivering energy saving measures to the most deprived households in rural communities and not just those in areas of concentrated deprivation.

Department for Transport: The Community Transport Association (CTA) produce an annual State Of The Sector Community Transport Report on behalf of DfT, and are currently working with the RCPU to produce, for the first time, a report with a strong rural focus. This will provide a greater understanding of the nature and extent of the rural Community Transport sector, and the role rural Community Transport can play as part of local integrated transport systems and potentially plugging transport gaps within rural communities. This Report will be launched on 13th September.

Wheels 2 Work scheme: The Wheels to Work scheme is designed to address the problem experienced by many, particularly young, people in obtaining work or taking up training opportunities where longer distances and public transport options are not readily available, such as in rural areas. These schemes generally involve the loan of a means of transport, such as a moped for a fixed period of time (normally around six months). This allows participants to take up jobs that they would not otherwise be able to access affordably. The scheme helps many younger people to move from unemployment to employment and eventually purchase their own means of transport after the loan period is ended. Many schemes require the participants to save during the loan period to ensure that they can do this. Defra's RCPU and the Department of Transport have worked together to identify the positive impacts of the W2W. Consequently, the Government has funded a national Wheels to Work coordinator during 2011–12 and will continue to do so during 2012–13. This post will enable good practice and lessons to be shared amongst existing schemes and to promote them amongst Local Transport Authorities.
1.4 Should rural proofing be subject to external review? How might this work?

1.4.1 Defra Ministers believe that the effectiveness of rural proofing should be independently reviewed. The Rural Statement includes a commitment to commission an external review. Defra Ministers have invited Lord Cameron to undertake this review and are currently discussing terms of reference with him. In addition, guidance materials issued to Government Departments require that they report on their rural proofing activities in their annual report and accounts.

1.5 The RCPU is the Government's "centre for rural expertise". Is it sufficiently resourced to carry out this function?

1.5.1 Defra ministers are committed to championing rural issues across government. RCPU is appropriately resourced and can deploy staff resources flexibly to respond to current and emerging priorities. While the RCPU takes the lead within Defra and support Government to ensure that the rural dimension is considered at an early stage and is built into government interventions, Defra devotes very significant further staff and financial resources beyond the RCPU to policies of key importance to rural areas, including the uplands, food, farming and forestry, National Parks, landscape, access and conservation, waterways, and the Rural Development Programme for England. The RCPU works closely with all of these.

1.6 Is the RCPU transparent and open?

1.6.1 As a Government Department, Defra is committed to openness and transparency. Defra works within the guidance and spirit of the Civil Service Reform plan.9

1.6.2 We will pursue this through the work of the Rural Communities Policy Unit (RCPU) and the Rural Development Programme for England (RDPE) as well as by ensuring that housing, planning, transport and infrastructure policies are both sustainable and informed by the needs of rural communities. The stated objective of the Rural Communities Policy Unit is

— Building a thriving rural England with strong and cohesive communities that contribute to economic growth.

1.6.3 The recent Rural Economy Growth Review demonstrated the value openness and collaborative policymaking. Defra officials, under the direction of Defra Ministers, led a rurally-focused strand of the cross-Government Growth Review process co-ordinated by Her Majesty's Treasury and the Department of Business, Innovation and Science. The resources of the Rural Communities Policy Unit were mobilised at short notice and, working with a number of other Government Departments, Defra was able to design and deliver measures8 that had cross Government support and ensured that the wider Growth Review took appropriate account of the needs of rural businesses and the opportunities for sustainable economic growth in rural areas.

1.6.4 Defra is very conscious that its evidence base is an essential source of information for many rural stakeholders and institutions and provides data transparently.

1.6.5 Evidence is central to how Defra conducts its work, and the department's Evidence Investment Strategy (EIS) vision is to ensure that decisions are based on sound science and evidence. In this spirit, the current contracts for independent monitoring and evaluation of the Rural Growth Networks and the Rural Communities Broadband Fund will be used to inform future policy and delivery.

1.6.6 The RCPU also produces high level statistics which present an overall picture for England. All of the RCPU's statistical reports are available on the Defra website.

**The Following Reports are Currently Available on the Defra Website**

The Statistical Digest of Rural England is a collection of statistics on a range of social and economic subject areas. The statistics are split by rural and urban areas, allowing for comparisons between the different rural and urban area classifications. The Digest includes high level statistics which present an overall picture for England. The statistics within the Digest are updated throughout the year.

The Statistical Digest of the English Uplands contains a range of statistics about the English Uplands. The subject areas include the social, economic and environmental perspective of upland areas with a view to enhance our understanding of the English Uplands. In many cases, the statistics are presented for upland areas and the rest of England, to allow comparisons to be made.

The Quarterly Rural Economic Bulletin contains key statistics relating to the economy in rural and urban areas. The indicators used have been selected because they present a "real-time" picture of the rural economy, and are currently updated quarterly.

Statistical Feature Reports are currently produced quarterly and summarise key statistics on a particular area of interest relating to rural areas. Recent reports have covered skills, tourism and the economic activity of older people.

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10 See: http://www.defra.gov.uk/rural/economy/
The RCPU is in the process of updating the rural services series, which provides information about how many households in rural and urban areas are more than a set distance by road from a number of services (post offices, petrol stations, supermarkets, convenience stores, cash points, banks, pharmacies, libraries, NHS dentists, pubs and restaurants, and jobcentres. Updating this series now will mean there is no discontinuity in the series, which the CRC had been publishing for a number of years.

Local Level Resource: Following feedback from users, the RCPU has also reviewed how it makes available local level information. We have developed a set of resources to help people access and understand the data. This include a user-friendly collection of statistics for rural and urban areas at local authority level, socio-economic reports displaying charts and tables of statistics for rural and urban areas at Local Authority and Local Enterprise Partnership level and signposts to other sources of local level statistics. We are also working in Partnership with stakeholder groups to ensure that users get the most value from the statistics we produce.

1.7 How should the effectiveness of the RCPU be measured?

1.7.1 As noted in 1.4.1, Defra Ministers are exploring the scope for external review with Lord Cameron. However, and in addition, the high level business plan priorities outlined in Defra’s Department Business Plan provide regular reporting on all departmental business plan commitments.

1.8 Is there still a role for an independent Rural Advocate?

1.8.1 The Government believes that it is no longer appropriate or necessary for a publically-funded non-departmental public body to fulfil an advocacy function. The Government also believes that it is right to invite contributions from a wide variety of rural advocacy rather than rely on one single voice acting as an intermediary on behalf of rural communities and businesses. Rural England is diverse with many distinctive characteristics and policy interests—the Government believes these interests are best served by encouraging direct engagement with those who represent the differing ambitions and aspirations for a thriving and sustainable rural England.

1.8.2 There are many rural organisations and commentators who advocate strongly on behalf of rural people and publicly hold Government to account for the impact of its policies on rural areas. We have every expectation that this healthy dialogue will continue and will be encouraged by Defra Ministers. For example, Defra Ministers are undertaking a series of rural roadshow events in different parts of the country. These provide opportunities to highlight our ambitions and policy priorities for rural England and to enter into two-way engagement with key representatives of rural communities and businesses.

2.0 Rural Grants and Funding

2.1.1 How effective will the measures announced in the Rural Economy Growth Review (REGR) be in stimulating sustainable growth in the rural economy?

2.1.2 The measures announced under the REGR constituted a strong package, worth £165 million, designed to stimulate sustainable growth in the rural economy and help rural businesses to reach their full potential. We are working closely with the Department of Business, Skills and Innovation to establish longer term monitoring and evaluation plans and activities to keep track of the impact, delivery and value for money of these interventions.

2.1.3 Defra’s RCPU will keep track of this implementation of the growth review.

2.1.4 The overarching objective of the measures set out in the REGR is to deliver sustainable growth. Each measure has been carefully designed to tackle a distinct barrier or an opportunity that was identified by stakeholders in the course of the review. These include:

- poor connectivity, and
- lack of access to suitable premises or workforce, and/or to exploit the natural advantages that rural areas have for the purposes of sustainable growth in sectors such as tourism, renewables and agri-food.

2.1.5 We have made substantial progress on implementing these measures, including:

- Creating five Rural Growth Networks— in Swindon and Wiltshire, Durham and Northumberland, Devon and Somerset, Cumbria, and Coventry and Warwickshire— to help businesses in rural areas to reach their potential by breaking down barriers to economic growth such as a shortage of work premises, slow internet connection and fragmented business networks. More than 3,000 jobs and 700 businesses are expected to be created;
- Rural Community Broadband Fund – The joint Rural Development Programme for England and Wales. The Rural Community Broadband Fund was launched in November 2011 to help communities have superfast broadband in areas otherwise outside the DCMS rollout (the last 10%). RCBF provides communities with up to 50% of the cost of developing and implementing a local broadband project. Round One resulted in 16 projects, worth £5 million, being developed, and a second round closed in July 2012 with 46 expressions of interest, the results of which are to be announced in late September. We anticipate a third round will be announced in the next few months.
Launching the £20 million Farm and Forestry Improvement Scheme, this uses Rural Development Programme for England (RDPE) funding to provide small grants of between £2,500 up to £25,000 to farm, forestry and horticulture businesses.

- The scheme aims to help make eligible businesses more profitable and resilient whilst reducing the impact of farming on the environment; it supports businesses to improve their competitiveness by using resources more efficiently, or improving animal health and welfare.

- It has an intervention rate of 40% but there is an enhanced offer (under most of the scheme’s measures) for upland farms in Severely Disadvantaged Areas where the intervention rate is 50%.

- Round One opened for business on 16 November 2011. Up to £20 million will be available to December 2013 under this scheme. Round One closed on the 17 January and £69 million of the available funding was allocated in Round One.

- Round two closed on the 17th July.

Launching the £60 million RDPE-funded Rural Economy Grant Scheme which is providing larger grants of between £25,000 and around £1 million (no set upper cap) with a maximum intervention rate of 40%) to enable a “game changing” transformation of Farm, Agri-Food, Tourism and Forestry businesses and micro-enterprises in other high growth sectors located in the Rural Growth Networks. For the Tourism specific Theme of the fund the grant scheme is focussed on. The programme is about investing in a variety of rural tourism transformational projects which contribute to 5% year on year growth in the value of tourism through better collaboration and co-ordination to enhance the visitor experience in destinations. In summary:

- The scheme is for businesses seeking to significantly improve performance through, for example, job creation, increased turnover and access to new markets; launched at end of February 2012. Outline applications closed 30 April.

- Ministers announced on 11 July a new REG scheme specifically for the dairy sector—this will be available in Autumn 2012.

- The Rural Economy Grant has received an unprecedented response, over 1,100 applications with a value of £224 million. The budget is £60 million. Following the completion of project appraisals in July, the National Approval Panel met on the 6th August select selected 450 which projects to proceed to the full applications stage.

- Over the next six months applicants will be developing detailed business plan submissions. These submissions will demonstrate clear economic growth outcomes for the industry and its supply chains. The grant scheme remains competitive at Full application stage, and value for money and leverage of investment will be key criteria considered in project selection.

- Launching the first phase of the £12 million that will be invested in promoting tourism to the benefit of rural areas—through the Holidays at Home are Great campaign and the Regional Growth Fund Project “Growing Tourism Locally”. Both initiatives are aimed at attracting more people to rural areas and encouraging them to stay longer when they visit. In addition there is:

- A £10 million Fund as a key element of the £60 million new Rural Development Programme for England (RDPE) Rural Economy Grant scheme (noted above) is providing funding for the development and improvement of tourism destinations, facilities and products.

- A Defra-led initiative to work with the 34 Areas of Outstanding Natural Beauty (AONBs) in England aimed at developing a new approach to support sustainable rural tourism in these iconic rural landscapes.

- A RDPE-supported “Paths for Communities” Fund delivered through Natural England, which would enable rural communities to enhance economic development by improving public rights of way.

- The investment by Defra of up to £1 million of RDPE funding, with significant investment from the private sector, for a new sustainable rural tourism initiative in North East England, based on the Our Land approach being used across protected landscapes in the South East. The project will help tourism businesses offer activities and accommodation which celebrate and connect the visitor with local Areas of Outstanding Natural Beauty and National Parks.

Inviting training providers to deliver the £20 million Skills and Knowledge Transfer programme, a flexible and locally targetable skills training programme to enable rural business growth, due to be launched in autumn 2012. £12 million of this will be available under the framework with the remaining £8 million being already assigned to contracts that are continuing in the south west and north west. The Framework has been progressing through Official Journal of the European Union procurement and we have now appointed 32 organisations across the country. There is a range of organisations and consortiums that will be able to deliver across the whole of England. Mini-competition specifications are being issued from 22 August through to mid October allowing Framework organisations to competitively bid to deliver training activity.

- Publishing a food and drink export action plan, and hosting an Agri-Food summit to raise awareness of the potential for growth in this key rural sector.

- A £10 million Fund as a key element of the £60 million new Rural Development Programme for England (RDPE) Rural Economy Grant scheme (noted above) is providing funding for the development and improvement of tourism destinations, facilities and products.

- A Defra-led initiative to work with the 34 Areas of Outstanding Natural Beauty (AONBs) in England aimed at developing a new approach to support sustainable rural tourism in these iconic rural landscapes.

- A RDPE-supported “Paths for Communities” Fund delivered through Natural England, which would enable rural communities to enhance economic development by improving public rights of way.

- The investment by Defra of up to £1 million of RDPE funding, with significant investment from the private sector, for a new sustainable rural tourism initiative in North East England, based on the Our Land approach being used across protected landscapes in the South East. The project will help tourism businesses offer activities and accommodation which celebrate and connect the visitor with local Areas of Outstanding Natural Beauty and National Parks.
2.2 What other measures might the Government have used?

2.2.1 A wide range of possible measures were considered during the review and we had extensive engagement with stakeholders from business and other sectors throughout the process. However many of the most significant issues affecting rural businesses, such as access to finance, the effectiveness of training, the cost and supply of housing, and the availability of expert business advice, similarly affect businesses in urban areas, and are being addressed at a national level.

2.2.2 The Review looked at specific barriers to sustainable growth that rural areas face, such as poor electronic communications; a lack of premises for businesses to start up, expand or diversify; lack of access to business strategy advice or mentoring; and limited access to a local workforce with the right skills. Many of these are now being addressed through the measures outlined above. The Review also considered the comparative advantages of rural areas, such as space for businesses to develop and expand sustainably and plentiful supplies of natural resources on which key rural industries such as agri-food, tourism and renewable energy, depend.

2.3 How will uncertainty over the content and timetable for the reform of Pillar II of CAP impact on the Rural Economy?

2.3.1 The current Rural Development Programme for England (RDPE) has provided significant investment (£2.8 Billion over seven years) into the rural economy, and will continue to do so until the end of 2015.

2.3.2 The overall budget for Pillar 2 of the Common Agricultural Policy beyond 2015 and its allocation to member states have yet to be agreed. Negotiations on the new Rural Development Regulation are continuing.

2.3.3 Despite these uncertainties, Defra has begun work on the next Rural Development Programme, so that we are able to minimise delay and manage the uncertainty inherent in the negotiating process. We will be having open discussions with rural organisations during the autumn and aim to consult on this in Spring 2013. As part of preparing for that we will be developing an initial Impact Assessment.

2.3.4 Defra is also working with other Government departments to develop a Partnership Agreement to better integrate the range of European funds and deliver shared outcomes for the next programming period 2014-20. This could lead to rural interests being addressed across other programme objectives, addressing priorities such as broadband provision, skills and training, business support, as well as wider quality of life issues such as fair access to services, tackling poverty and social disadvantage.

3.0 Government Policy

3.1 The Government is preparing a rural policy statement. What should be in it?

3.1.1 The rural statement was published in September. The Statement focuses on national Government action, but we recognise the crucial role of Local Government in delivering the services that rural people depend upon, and the scope for communities to take local action to meet their own needs and concerns.

3.1.2 The Statement is intended to underline our commitment to Rural England. It reflects our vision for successful rural businesses and thriving rural communities, and is based around three key priorities:

- Economic Growth—we want rural businesses to make a sustainable contribution to national growth;
- Rural Engagement—we want to engage directly with rural communities so that they can see that Government is on their side; and
- Quality of Life—we want rural people to have fair access to public services and to be actively engaged in shaping the places in which they live.

3.2 Ministers’ stated rural priorities are housing, broadband, services, transport and fuel. Are these the correct priorities for the Government to focus on?

3.2.1 Ministers believe these are the right priorities. They reflect what we know to be the priority issues for rural communities and businesses. For example, the Rural Insights Survey which surveyed over 2,500 residents aged 16+ across rural and urban areas (excluding London) found that:

- Public transport remains top quality of life priority—Over a quarter of rural-based residents (28%) mention this as a priority. Public transport is also singled out by rural respondents as the “absolute” priority for improvement.
- Housing, job prospects and state of economy feature strongly—Affordable decent housing (11%) and job prospects (8%) were ranked as “absolute” priorities for improvement in the future. The state of the economy was considered a specifically rural priority for action by decision-makers in Parliament by 15% of people in rural areas.

11 See: http://www.defra.gov.uk/rural/
12 See: http://crc.staging.headshift.com/files/CRC%20Rural%20Insights%20FINAL%20Report%202008.03.10.pdf
Why is Housing a Ministerial priority for Defra?

3.2.3 Rural areas are some of the least affordable places to live, and we need to ensure that our rural towns and villages have the freedom to determine the scale and type of development that they want and need. Defra will be working with DCLG to ensure that rural people and communities benefit from the Government’s new approaches to housing and planning as set out in the Housing Strategy published in November 2011 and the NPPF published in March 2012. The NPPF supports rural housing through the inclusion of a rural exceptions policy which allows for an element of market housing to be included on rural exception sites where this facilitates the development of affordable rural housing. (See also 1.3.3 above)

3.2.4 Providing affordable housing is vital to enable people to stay in their communities. The Affordable Homes Programme 2011-15 (AHP) aims to increase the supply of new affordable homes in England and almost 10% of allocations outside London for the Programme are for homes in communities with under 3,000 people.

3.2.5 To ensure that we are sharing experiences and good practice about how to deliver more affordable homes in rural areas, Defra jointly funded the Rural Affordable Housing Project.13 The dedicated website is designed to share information, allow housing practitioners to network and hold virtual meetings with stakeholders to encourage and enable development of rural affordable housing.

Why is Broadband and Mobile Infrastructure a Ministerial priority for Defra?

3.2.6 A modern communications infrastructure is fundamental to the day to day functioning of UK society and is essential to underpinning the future growth and sustainable development of rural communities. Broadband and mobile phone availability in rural areas is therefore a top priority for Defra and a vital part of the Government’s overall growth agenda. As well as being a key driver to growth in rural areas, access to effective broadband also has the potential to make services more accessible to rural communities.

3.2.7 However, 23% of rural households have no or slow (less than 2M bps) broadband, compared with 8% in England overall (this proportion rises to just under half of households in sparse hamlets/isolated dwellings). In England, 2G mobile phone (voice) population coverage is reported at 99%.

3.2.8 The Government recognises that the market is not going to deliver superfast broadband to everyone, particularly those in more remote rural communities, without Government support and encouragement. It has, therefore, introduced three significant and complementary investment programmes geared to improving rural access to broadband and mobile telephone phone coverage: the £530 million rural broadband programme, £20 million Rural Communities Broadband Fund and £150 million Mobile Infrastructure Project.

Why are Rural Services a Ministerial priority for Defra?

3.2.9 The challenges of providing services to people living in rural areas have some elements in common with people in urban areas. However, there are different ways in which rural service provision need to be considered. The lack of economies of scale and weaker demand (although this should not be misunderstood as lack of demand) makes mainstream service provision more problematic to deliver in rural areas. Particularly the smaller more sparse rural areas.

3.2.10 The RCPU has undertaken research to highlight how innovative approaches to service delivery can help to overcome service delivery challenges in rural areas and maintain service standards and equity.14 Recent RCPU participation in the Post Office Advisory Group served to highlight rural impacts of the new Post Office Local delivery model. Corresponding work with Consumer Focus including departmental analysis by postcode of Consumer Focus’s research data sets helped support the rural proofing of the Postal service research. RCPU support for the DH Mental Health Strategy Implementation team promoted a greater understanding of the needs of rural stakeholders. As a result the Mental Health Strategy outreach was extended to Parish and Town Councils as part of their awareness raising for mental health services.

Why is Transport a Ministerial priority for Defra?

3.2.11 Rural transport plays an important part in rural development; connecting rural economies with markets and customers, and linking up rural communities with education, training and employment opportunities, health and welfare facilities and key services. Rural transport can contribute not only to rural economic growth but also to a higher degree of social wellbeing and sustainability within rural communities. It is also a high priority for rural communities (see 3.2.1 above).

3.2.12 Local authorities provide financial support for local bus services that would not otherwise be run by mainstream bus operators. Local Authorities, in response to existing funding constraints have begun to reconfigure bus services. Recent changes to funding structures (Bus Service Operators Grant) have highlighted concerns about the potential impact upon rural areas. In rural areas the impact of a small public transport change can be very significant. The RCPU’s work with DfT has meant that a staged approach to the changes

13 See: http://www.ruralaffordablehousing.org.uk/search.php
to the BSOG, exploring how the early changes are affecting rural transport provision, has been undertaken. These findings will be publicised in the forthcoming CTA report (see 3.2.20 below)

3.2.13 Community transport is also a key priority for rural areas. Community transport is safe, accessible, cost-effective, flexible transport run by the community for the community. As we move into an era of new community rights, community transport shows what can be done when people take responsibility for solving their own problems. It mobilises and engages local communities, and harnesses the experience and energy of volunteers who give freely of their time to help others.

3.2.14 Community transport is about freedom and fairness of opportunity. It meets the needs of people who do not have access to cars, taxis or buses and provides a lifeline in both rural and urban areas. It takes disabled people to work, children to school, sick people to healthcare and older people to the shops. It runs local bus routes and provides transport for a wide range of clubs, voluntary bodies and care homes.

3.2.15 Defra, working with DfT and the Community Transport Association, has been developing a new report to build a more detailed picture of the size and scope of the community transport sector. This report, published 13 September, focuses in particular on community transport in rural areas. We recognised that there were specific issues facing community transport providers in rural areas which differ from those in urban areas and we have sought, through this report, to understand the nature of these issues and how we can support the sector in addressing them.

Why is Fuel and Energy a Ministerial priority for Defra?

3.2.16 We know that rural households are more likely to be in fuel poverty (across England in 2010, 16.4% of all households were in fuel poverty; 20.2% of rural households were in fuel poverty, compared to 15.5% of urban households). Moreover, the most remote households suffer the largest levels of fuel poverty. Households off the gas grid—who are forced to pay more to heat their homes—suffer particularly from high levels of fuel poverty. We are also aware that rural households have not benefited from DECC’s energy efficiency schemes, which is why we are working with DECC to ensure the design of the Green Deal and ECO meets the specific needs of rural people. Three main factors contribute to whether a household is “fuel poor”—the household income, the energy efficiency of the property and the cost of energy. National interventions, delivered locally, have focused strongly on measures to combat lack of energy efficiency.

3.3 Do the measures announced in Defra’s Uplands review do enough to support sustainable hill farming?

3.3.1 There is good evidence that the measures are successful, but we need to ensure that we continue to provide support, as circumstances change.

3.3.2 The Uplands Entry Level Stewardship is the main mechanism for supporting sustainable farming in the uplands. The scheme aims to maintain and improve the biodiversity, natural resources, landscape, and historical value of England’s uplands, and to contribute to climate change mitigation and adaptation by supporting land management practices which deliver these benefits.

3.3.3 As one of the outcomes of the Defra Uplands Policy Review, Ministers gave a guarantee that 100% of hill farmers eligible to enter Uplands Entry Level Stewardship (UELS) would be able to do so. There is evidence that this has been successful. Since its introduction in 2010, uptake has exceeded expectations with more than 5,770 Uplands ELS agreements covering 862,616 ha (66.8%) of the Severely Disadvantaged Area (SDA) (as at end-June 2012). Together with the remaining 250,506 ha of SDA land still in “classic” (Environmentally Sensitive Areas and Countryside Stewardship) scheme agreements, this means that approximately 86% of the SDA is now under agri-environment scheme management. An Uplands Transitional Payment is available to farmers who are currently unable to enter Uplands ELS due to continuing commitments in the predecessor schemes.

3.3.4 A recent farmer attitude survey by the Countryside and Community Research Institute (CCRI) of the University of Gloucestershire and a team from the Royal Agricultural College concluded that Uplands ELS had been well-received, was easy to join and implement, payment rates were thought to be sufficient, and the scheme is well managed. Some smallholders felt that Uplands ELS was not for them or were unaware that they were eligible. We are addressing how to encourage these people to apply by offering better support and advice to prospective applicants and to encourage peer advice. We are continuing to keep the scheme under review to ensure that it remains accessible and delivers the environmental benefits being sought. The future of support for upland farmers is also being considered as part of the ongoing CAP reform negotiations and design of the new Rural Development Programme.

3.3.5 But as circumstances change, we need to ensure that support for the uplands remains adequate. Important developments at the moment are CAP reform and the linked review of the Less Favoured Areas (LFA) designation. The review published its proposals for new Areas facing Natural Constraints (ANC) as part of its CAP reform proposals in October 2011. As well as a new suite of bio-physical criteria (criteria based on geology, climate and agronomy, rather than socio-economic factors, to ensure that support goes to areas where farming is harder and less productive) for designating ANC, it proposed a top-up measure in Pillar 1 and a new ANC measure in Pillar 2 (replacing the current LFA measure).
3.3.6 In the negotiations and the work to design a future rural development programme under pillar 2 and effective greening of pillar 1 of the CAP, we aim to ensure that support for sustainable farming in the uplands remains adequate.

Annex 1

RURAL AND FARMING NETWORK: MEETINGS TO DATE AND TOPICS RAISED WITH MINISTERS.

1. Inaugural Meeting of Rural and Farming Network Chairs

All RFN groups were represented by either their Chair or a key deputy. Both Minister Paice and Minister Benyon attended and senior members of Defra were also in attendance.

The discussions focused on:

— RFN Chairs and Ministers agreed a shared purpose and terms of reference for the RFN
— Water resources including:
  — Private Water Suppliers.
  — Water supply issues longer term.
  — Water shortages—a national strategy.
  — Abstraction Licences
  — Tourism and water use.
  — Universal Water Metering.
  — Water transfer.
  — Water utility companies working with planners.
— Rural Development Programme for England—including:
  — Local influence and LEADER.
  — Skills and training.

A second meeting between all 17 RFN Chairs and Minister Paice and Benyon is planned to take place in the Autumn of 2012.

2. Meetings between the Defra Ministerial team and Rural and Farming Network Groups

— 6th February: Minister Richard Benyon met with the Chairs and key representatives of the North Eastern Farming and Rural Advisory Network, and Farming Food and Rural Affairs Tees Valley RFN Groups:
  — Policy issues discussed:
    — Broadband.
    — Rural Growth Networks.
    — Food and tourism.
    — Low Skills and training.
— 6th February: Secretary Of State met with the Yorkshire Food Farming And Rural Network. This was a formal meeting scheduled during a Rural Roadshow.
  — Policy issues discussed included:
    — RDPE funding.
    — Anaerobic Digestion.
    — Bovine TB.
    — Schmallenberg virus.
— 21st February: Minister Jim Paice met with the Worcestershire Rural Hubs Ltd; Derbyshire Partnership Economic Forum; Rural Network East Midlands; Rural Hubs Partnership RFN Groups.
  Policy issues discussed:
    — Networking and Communication.
    — Skills and Training.
    — Broadband and Mobile.
    — Neighbourhood Planning.
— 27th February: Minister Richard Benyon met with the South West Rural and Farming Network; And the Rural Cornwall and Isles of Scilly Partnership
  Policy issues discussed:
— Land and Landscape.
— Affordable Rural Housing.
— RDPE funding.
— England Biodiversity Strategy—Local Delivery.
— Environmental Land Management in the South West.
— Disease: Schmallenberg,(Also possibility of questions around TB).

— 27th April: Minister Jim Paice met with the Chair of the South West Rural and Farming Network
Policy issues discussed:
— Fuel Prices.
— Enforcing Bovine Tb rules.
— Sustaining new entrants into farming and agriculture.
— Higher Level Stewardship Agreements (HLSAs).
— Future of Pillar II.
— Farming and Forestry Sector Improvement Scheme.
— Planning and Localism.
— Local input into the future design of RDPE.

— 10th May: Lord Taylor met with the Chair of the Lincolnshire Forum for Agriculture and Horticulture. This was a formal meeting as part of a Rural Roadshow.
Policy issues discussed:
— RFNs links and relationships with the Local Enterprise Partnership and local authorities.
— Water resources, drought and flooding.

— 7th June: A meeting between Minister Richard Benyon and the Chairs and key representatives of the Farming and Rural Issues Group and the Wessex Rural and Farming Network. This formal meeting was held at the South of England Show.
Policy issues included:
— Agricultural and Horticultural R & D.
— Rural broadband.
— Rural business and economy—support to SMEs.

Lord Taylor met the Cornwall & the Isles of Scilly RFN on 15 June 2012
They discussed the following:
— EU structural funds and the new RDPE programme post 2013.
— Supply chains including transport infrastructure.
— Project to build an abattoir on the islands.
— Other RDPE Key Topics for information: LEADER.

Minister Jim Paice met with the Kent Rural Network and the Farming and Rural Issues Group South East. This formal meeting was held at the Fruit Focus Show on 25th July
Policy issues included:
— Water.
— Investment in land based industry and business.
— Abolition of the Agricultural Wages Board.
— Next generation Seasonal Agricultural Workers Scheme.

Minister Jim Paice met with the Cheshire, South & West Lancashire, Merseyside & Manchester Land Use Farming & Rural Group on Tuesday 21st August in Cumbria
Policy issues included:
— Land & water management issues (effects on food production).
— TB Issues.
— New entrants into farming.

Minister Jim Paice met with the Cumbria & North Lancashire Farming, Food and Rural Group on Tuesday 21st August in Cumbria
Policy issues included:
— Water Management, including Independent Drainage Board, and River Maintenance.
— Dairy price dispute.
— Farming & Forestry Improvement Scheme Grant.

Minister Jim Paice met with the North East Farming & Rural Advisory Network, and Food Farming & Rural Affairs Tees Valley on Tuesday 21st August in Northumberland

Policy issues included:
— New entrants into farming & Skills.
— Rural Broadband.
— Community Collaboration with Voluntary Community.
— Social Enterprise Sectors (NEFRAN) Real Food Festivals.
— Impact of Weather on Rural Businesses.

3. RFN have been involved in DEFRA MINISTERIAL ATTENDANCE AT THE 2012 COUNTY SHOWS

I. May: Secretary of State met briefly with the South West Rural and Farming Network as part of attendance at the Somerset and Devon Show

II. June: Secretary of State attended East of England Rural and Farming Network at the Suffolk County show

III. June: Minister Richard Benyon met briefly with the Worcestershire Rural Hubs Partnership, and the Rural Hubs Partnership at the Three Counties Show.

IV. July: Minister Paice met the Yorkshire RFN at the Great Yorkshire Show.

October 2012

Supplementary written evidence submitted by the Home Builders Federation

1. During the evidence the Federation gave to the Committee’s inquiry on 12 December 2012, the Chair asked for a written note on the question of what information home builders provide to their customers about potential flood risk.

SUMMARY

2. House builders do not normally provide specific information about flood risk to their customers in their sales and marketing. This is primarily because on matters of flood risk house builders are reliant on the assessment standards and judgements of the relevant statutory bodies. House builders comply with the requirements of the planning system with regard to any questions of flood risk and undertake due diligence on such matters in acquiring sites for development. They are not in a position to make any assessment of flood risk beyond those provided by the statutory bodies, however, not least because such risks in their totality relate to factors, including river and flood management and protection systems, outside their developments and their control. In view of this, the consumer interest is protected through the conduct of robust environmental searches through the Local Authority as part of the house purchase process— in addition to the house builder’s own due diligence procedures.

THE CONTEXT FOR THE INDUSTRY

3. It is important to recognise as the starting point for answering this question that developers do not set the flood risk assessment standards. The responsibility for doing so has been given by Government to the Environment Agency (in charge of Flood Risk Zoning) and the Local Authority (in their capacity as Lead Flood Risk Authority). Both have statutory duties and responsibilities.

4. In this regard, the National Planning Policy Framework (paragraphs 100 to 104 in particular) makes clear the Local Authority’s responsibility in drawing up its Local Plan to apply “a sequential, risk-based approach to the location of development to avoid where possible flood risk to people and property and manage any residual risk, taking account of the impacts of climate change....” Where it is not possible for development to be located in zones with a lower probability of flooding, the Exception Test can be applied with its attendant safeguards which include a site-specific flood risk assessment, the requirement not to increase flood risk elsewhere and for development to be appropriately flood resilient and resistant.

5. The Local Authority is in turn assisted by the advice of the Environment Agency (EA) as a statutory consultee on planning applications and this advice will be taken into account by Local Authorities in determining planning applications and setting conditions on planning consents. The EA has provided clear advice on the flood risk assessments that are required for planning applications depending on which flood risk zone a proposed development is located in— available via its website http://www.environment-agency.gov.uk/research/planning/93498.aspx.
Information for customers

6. Given the context, developers have no option but to rely on the flood risk data/hydrological data provided by the statutory bodies.

7. Having relied on the information provided, it is then a material planning consideration that developers’ surface water management proposals, derived through a site specific flood risk assessment, maintain the status quo in terms of surface water run-off/management. Such proposals can and do include any compensating/mitigation works as part of the planning process. For example, land raise to provide enhanced protection, attenuation/storage, replacement flood plain.

8. The right and proper objective is therefore that any new development scheme is appropriately integrated into the existing built environment without contributing to flood risk. For this reason, house builders must continue to rely on the Local Authority, aided by its experts to either grant, condition or refuse any planning consent.

9. Since the whole approach to flood risk is based on the expert knowledge and advice of the statutory bodies, and given the uncertainties and variables associated with rainfall and surface water run-off, it would not be appropriate for developers to second-guess (or appear to do so) this expert knowledge in any way in information provided to customers. We must also bear in mind that the actual risk of flooding over time will also ultimately be dependent on factors outside the development and the control of the developer, including the maintenance of wider flood defence and river management arrangements. The developer cannot therefore be in a position to make authoritative statements taking on board this wide range of factors.

10. For house builders, a particular legal consideration which then comes into play in this regard is the Property Misdescriptions Act 1991 whose provisions mean developers need to be very careful not to make any unsubstantiated or potentially misleading statement to prospective purchasers.

11. We consider in the round therefore that the appropriate and key requirement is that once planning consent is in place both the developer and the purchaser of a new home should be able to rely on robust environmental searches through the Local Authority to help them make an informed decision when buying a new home. In this regard, most purchasers are advised by legally trained professionals in their purchase who should be asking these types of questions in providing advice. And indeed the developer is subject to the same principle as the new home purchaser when undertaking the due diligence for any new land acquisition.

10 January 2013

Written evidence from Professor Mark Shucksmith OBE

1. Introduction

The banking crisis in 2008 has left a legacy of fiscal austerity which impacts on rural communities as much as their urban counterparts. The context for rural development for the foreseeable future is therefore one of reductions in public spending, as well as uncertainties over domestic demand for goods and services as people cut back on their spending.

Rural communities face particular challenges in this context due to the structure of their economies, the social composition of their communities and their access to new technology. These challenges are not evenly distributed across rural communities, with some areas proving resilient in the new context while others facing deepening challenges.

1.1 Trends in rural economies

There are a number of changes in rural economies. Many of these are continuations of long-term trends, such as the move away from agriculture towards the service sector, which is now by far the biggest employer. Agricultural activity has become much more capital-intensive, shedding its workforce and, more recently, has refocused towards quality food products and environmental benefits. This has been accompanied by the growth of manufacturing and especially service employment in rural areas—sometimes referred to as the “New Rural Economy”. Most rural businesses today are micro-businesses, and most of the rest are SMEs. These have a good record of innovation and include many knowledge-intensive businesses associated with growth.

Notwithstanding this growth of micro-businesses, the public sector (education, health, social services, etc) is often the biggest source of employment, especially for women. In 2004, 26% of all jobs in rural England were in the public sector, and women occupied 75% of these posts. The OECD review of rural policy in England in 2011 confirmed this. Public expenditure cutbacks therefore present rural areas with a number of challenges.
challenges, both in respect of a loss of employment and in maintaining the delivery of essential services to dispersed rural populations.

A further important element of economic development for many rural communities is making money from the appeal of landscapes, rural environments and local cultural heritage. Rural areas which have successfully employed such a strategy have been able to associate strong local identities with an external marketing image. However, not all rural areas are able to capitalise on this new economy. There is also the likely concomitant of an increased demand for housing in such rural areas which (when coupled with supply restrictions) has made homes increasingly unaffordable.

1.2 The changing social composition of rural societies

The social composition of rural areas has been transformed in recent decades, principally by selective migration, in particular counter-urbanisation and out-migration from rural areas:

- some areas have benefited from counter-urbanisation (the reversal of the migration from countryside to urban areas normally associated with economic and social development). The competition for the limited supply of housing in such areas has often changed their social composition fundamentally, leading to a socially exclusive countryside where those of middle or lower incomes are unable to afford to live.

- others, such as some sparsely populated rural regions, still suffer from rural out-migration. With rural out-migration comes the risk of the demise of the skill and knowledge base (including the traditional rural skill base), loss of social and cultural capital in the community and a weakening of rural community ties to the land.

The movement of young people (age 16–29) away from rural areas has occurred alongside counter-urbanisation, which tends to involve both older people and families with young children moving to rural areas. The net result is an ageing population in most rural areas, especially in peripheral rural areas. Over the next 20 years, the median rural age in England is set to rise towards 50, higher in the more rural districts.

In addition to the uneven ageing of rural populations, there is a growing inequality both between people and between places. Some of the areas which have become most exclusive are accessible rural areas, where incomes have risen most over the past decades, much faster than in sparse rural areas. There is a deepening divide between accessible rural areas and more remote rural areas.

1.3 Technological Change: Challenges and Opportunities

Technological change provides opportunities but also challenges for rural communities. A access to high-speed broadband is crucial to the future of every rural community.

The benefits that broadband could bring to rural communities through improved local services and improved business opportunities have been well-documented. By 2008, the UK government was investigating “superfast broadband” (now defined as at least 24 megabits per second (mbps)) which would necessitate a technological step change from the incremental upgrading of the old telephone system to the widespread introduction of fibre optic cabling. A “final third” who were unlikely to benefit from private sector roll-out were identified, mainly in rural areas, culminating in the Broadband Delivery UK (BDUK) measures of the Coalition government. However, the commitment for provision of superfast broadband is to only 90% of homes and businesses, neglecting some of the “final third”, who are promised only “at least” 2 mbps.

This presents an enormous challenge to more than half the rural population of the UK, unless they accept that broadband of less than a tenth of the speed of the rest of the country (2 mbps vs 24 mbps).

There is, however, opportunity for rural community enterprise initiatives to rise to this challenge and fill the gap left by the market and government programmes. These opportunities are discussed in the recent Carnegie UK Trust and Plunkett report, Rural Broadband: Reframing the debate, which highlights examples of pioneering community-led broadband services in rural areas in the UK. The report calls on national and local...
government, rural and community enterprise support organisations and the telecommunications industry to provide more support so that other rural communities can be similarly empowered.24

2. Models of rural community development

2.1 Top-down or bottom up?

The classic formulation of rural development, prevalent in post-war Europe, was a “top-down” model ("driven from outside" or sometimes called exogenous). Top-down rural development saw its main challenge as overcoming rural differences and distinctiveness through the promotion of universal technical skills and the modernisation of physical infrastructure. Urban centres were regarded as growth poles for the economic development of regions and countries. Rural localities were thought of as distant technically, economically and culturally from the main (urban) centres of activity. From this perspective, appropriate policy might subsidise the improvement of agricultural production, while encouraging labour and capital to leave.

Evidence has shown the classic “top-down” model of rural development was ineffective at driving rural development and failed to recognise the considerable potential for growth in rural areas. It was criticised for promoting “dependent development, destructive development, distorted development and dictated development and failed to recognise the considerable potential for growth in rural areas. It was criticised for promoting “dependent development, destructive development, distorted development and dictated development and failed to recognise the considerable potential for growth in rural areas. It was criticised for promoting “dependent development, destructive development, distorted development and dictated development and failed to recognise the considerable potential for growth in rural areas. 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2.3 Resilient rural communities.

This model of networked rural development also resonates with new thinking about communities' resilience. Systems theory has tended to conceive of resilience in terms of “bouncing back” (to a pre-existing equilibrium state, or to business as usual); however, several academics are now thinking of resilience instead in an adaptive sense, as “bouncing forward” (i.e. adapting to changing contexts, as an evolutionary transition towards more sustainable ruralities).32 Indeed the focus of much thinking now appears to be shifting from “sustainable rural communities” to “resilient rural communities”, reflecting dissatisfaction with “sustainability” as a chaotic and contested concept.

Resilience in the sense of “bouncing forward”, adapting to changing contexts, is seen as offering a more useful lens through which to reframe rural development policy and practice, pursuing networked rural development approaches as described above. In essence, this emphasises an enabling state building the capacity of people to ensure the future of their places, drawing on assets and networks both within and beyond their localities, to deal with change in an uncertain and unpredictable world. This is highly relevant to present challenges.

2.4 Issues of inequality and capacity

New approaches of bottom-up and networked development both place emphasis on the capacity of people themselves to ensure the future prosperity of their places, with the networked development model emphasising that non-local as well as local assets and networks should be drawn upon in this process. This approach also asks where the locus of control lies. Often claims of local empowerment may be more rhetorical than real, as discussed further in the next section.

Unfortunately, research has revealed that both bottom-up and networked approaches can risk exacerbating inequality:

- between places because of the uneven capacity of local place-based communities to pursue development from within;31 and
- within communities because internal power relations are often ignored or obscured such that powerful elites capture most of the benefit.32

Further, there is debate about the extent to which issues of fundamental structural disadvantage, such as rural disadvantages, can be addressed solely through “development from within”, whether bottom-up or networked. Structural disadvantages might include poor resource endowments, disconnectedness from markets and networks, historical events (such as colonialism, war or occupation, or industrial restructuring), and exploitation and powerlessness. The Barca Report concludes that a place-based approach is most likely to be successful, but raised the question of whether remote rural areas have “territorial potential”. This remains a crucial empirical question for both research and EU policy.34

2.5 Nobody in Charge?

The concept of governance is widely used to recognise the changing role of the state (at all levels) and the greater propensity for public, private and voluntary sectors to work together in diffused power contexts. This implies a shift from state sponsorship of economic and social programmes and projects, towards the delivery of these through partnerships involving both governmental and non-governmental organisations and perhaps other actors, as in LEADER. Features of this style include a new role for the state as co-ordinator, manager or enabler, rather than as provider and director.

This leads us quickly into issues of power relations in rural societies. From the governance perspective, power is reconceptualised as being a matter of social production (groups' capacity to act) rather than of social control (by government or elites). Essentially, local actors are cast as the catalysts for change in their local area through collective, networked action.

These approaches rely upon resources and actors being mobilised on the basis of a perceived shared identity—for example, a Northumbrian.35 While not exclusive to rural policy, this approach does build upon the notion of co-operative social relations frequently associated with rural areas.

The tendency towards new styles of governance has relied upon partnerships as a central component, along with advocacy of citizen participation and stakeholder involvement, even if these have been unevenly realised in practice. What is often omitted from such discussions, however—as the OECD point out in their New Rural Paradigm report—is that partnership and integration at the local scale are not sufficient; integration between

33 Shucksmith M , 2000, op cit.
actors at different levels (and especially between different levels of government) is also essential, along with a fuller consideration of how power continues to be exercised by higher authority in subtle and hidden ways.\textsuperscript{36}

Indeed, it is often unclear to the citizen where responsibility now lies— for example for withdrawal of rural services such as transport, welfare advice, social services, or pre-school education. The change in the role of the state from provider to enabler brings with it a loss of clarity, legitimacy and accountability—a sense of “nobody-in-charge”. Increasingly governance is characterised by tangled hierarchies, flexible alliances and networks and by the inclusion of new partners, notably from the private and voluntary sectors, all of which may be difficult for citizens to comprehend.

Moreover, the central state may appear to decentralise power to local authorities or community groups, while in fact retaining centralised control through hidden “managerial technologies”, such as targets, audit and financial controls which are deployed to ensure that local institutions are accountable to, and still do the bidding of, central government. Indeed, such “government at a distance” continues to be a feature of the Coalition Government’s policies— a practice which has been termed “muscular localism” by the Secretary of State for the Environment.

Finally, localism and community empowerment might be expected to imply a substantive devolution of responsibilities, powers and budgets to local government, and thence to local communities. In practice, however, the pursuit of a localism agenda has been accompanied by very significant cuts imposed on council budgets in England, alongside limitation of councils’ own local revenue raising powers, so necessitating reductions in council staff and services. These cuts have in turn been passed on to the community and voluntary sector in most areas. Local authorities therefore may enjoy increased responsibilities, but will also see a serious reduction in budgets. In a “nobody-in-charge world” who should be held accountable for the resulting loss of services?

Nevertheless, there are exemplars of good practice in localism and community empowerment from which we may learn. In Scotland, central government and its agencies acted to build the generative power of rural communities to imagine and realise their own futures with the support of HIE’s Community Land Unit and funding from a Scottish Land Fund. As a result, more than half the land area of the Western Isles is now in community ownership, with the majority of these islands’ residents having come together to debate the merits of community ownership, and then to develop strategic plans for the development of their communities. This has given people a new confidence in their abilities and potential, while at the same time requiring them to take responsibility for the future of their communities, with crucial help from a mostly supportive governance framework. This experiment exemplifies the empowerment of communities of place, through the state becoming a catalyst for local action, mobilising less powerful actors and becoming an agent for change.\textsuperscript{37}

3. INTO THE FUTURE?

Rural development practice, and our understanding of it, has evolved towards a networked approach, characterised by dynamic interactions both within each locality and also between local areas and the wider political, institutional, trading and natural environments. As public spending contracts, how will such a model perform in an age of austerity?

The networked approach to rural development involves:

- the mobilisation of assets, both within and outwith the locality;
- the building of capacity to act amongst individuals, of course, but especially collectively in terms of the capacity of people within an area to work together towards a shared vision of their future; and
- networks which connect people within and beyond the locality.

In a networked approach, the crucial issue is the balance of internal and external control of development processes and how to enhance the capacity of local actors to steer these larger processes to their benefit, and so to ensure their community’s resilience. Critical to the rural development process are those institutions, actors and networks that have the capacity to link businesses, communities and institutions involved in governance at a variety of scales, in an apparently “nobody-in-charge” world.

The age of austerity is likely to mean reduced capacity in central and local government, and in the community and voluntary sector, alongside changes in the institutional framework. What impact will this have on networked rural development?

3.1 A return to bottom-up development models?

One potential future for rural communities is to revert to a bottom-up development model, in which communities are increasingly left to themselves without support from cash-strapped central or local government — with other institutions and networks also under pressure from reduced resources.


\textsuperscript{37} Further details are given in Shucksmith M (2012) op cit. For a detailed account of community-based land reform see Hunter J (2012) From the Low Tide of the Sea to the Highest Mountain Tops: community ownership of land in the Highlands and Islands of Scotland. The Islands Book Trust, Isle of Lewis, and Carnegie UK Trust.
The available research and evidence points to three key reasons to be concerned about a return to bottom-up development models:

- The highly uneven capacity of different communities of place to bring forward “development from within” has been a consistent finding of studies of rural development in Britain and abroad. As the state’s role weakens, this is likely to lead to a highly uneven geography of rural development. The more affluent rural communities with greater institutional capacity-to-act will organise to defend their interests and to pursue their objectives, while poorer communities and those with less institutional capacity (knowledge, networks and ability to mobilise) may well lose services and facilities, enjoying less control over changes affecting them. Such inequalities become self-reinforcing.

- The non-governmental organisations that could mitigate against this, such as local voluntary organisations and rural development networks, are themselves struggling with the impact of funding cuts. Sustaining such networks is especially important where regional institutional structures have been dismantled, with many of those working to promote rural development feeling increasingly isolated and atomised.

- The changes affecting rural areas across Europe cannot be explained purely in terms of assets and capacity at the local level. On the contrary, there are systematic patterns across the UK and EU which clearly show that broader processes are at work, structuring rural change in ways that advantage some rural areas and disadvantage others. These can only be addressed by macro-scale diagnosis, strategic planning and intervention.

Local responses to wider forces are therefore valuable but insufficient; there is also a need for regional, national and EU policies which can address the broader forces acting upon each locality.

Yet many EU, UK and English policies are spatially blind to their territorial impacts. Indeed, there is a growing recognition amongst policy-makers of the blindness of government policies to issues of space and place. Most EU sector policies have been found to run counter to the objectives of territorial cohesion including most notably the territorial impacts of the Common Agricultural Policy, which tends to benefit richer areas in the core of Europe rather than poorer regions around the periphery of the EU. Within the UK, economic policy, social policy, housing policy and even science policy embody, if only implicitly, certain principles of spatial organisation and ordering, and these have too rarely been given explicit consideration. This issue was also identified in the OECD’s review of rural policy in England, which scrutinised the policy and practice of rural-proofing across government and its agencies. Local action is unlikely to be effective in the face of national policies which are blind to their impacts on rural areas.

A very current example of this is the way changes to the schools funding formula will impact on rural communities, particularly in sparsely populated areas. Under the revised formula, each school will receive an allocation per pupil and a lump sum. But the Government has imposed the condition that every school in a local authority must receive the same lump sum, regardless of size, location, or the age of pupils, so as to promote competition between schools. This has the unintended consequence of rendering many small rural schools potentially unviable, with particularly damaging consequences for scattered rural communities with no viable school nearby. This policy appears not to have been rural-proofed, nor to subscribe to the localism agenda. (A cost-neutral solution would be to allow local authorities to vary the lump sum where small rural schools’ viability is threatened.)

3.2 A positive future—realising the economic potential of rural areas

Most people accept the myth that urban areas are the “engines” of growth, with rural areas being pulled along in their wake. But there is little evidence to support this myth, with abundant evidence to the contrary. Cuts in public sector spending and the need to rebalance the economy now necessitate support for job creation and growth from all places rather than only certain cities or sectors. This has finally led to recognition of the economic potential of rural economies.

Rural areas are consistently overlooked as sources of growth:

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Indeed the case. It has been found, for example, that innovation is greater in rural areas than in urban
dences of social renewal and economic growth. In England recently, there have been suggestions that this is
indeed the case. It has been found, for example, that innovation is greater in rural areas than in urban
7, 48 that productivity is growing faster, and around two million people are using broadband to work from home in
rural England. Such findings encouraged the Commission for Rural Communities to claim the untapped
economic potential of rural areas might be worth an extra
£347 billion per annum to the national economy, if policies supported rural economic development. The report
asks whether the lack of policy support for rural development is due to “spatial blindness” or outdated
thinking.49

A 2011 Centre for Rural Economy report50 pointed out that rural areas of England:
— contribute £200 billion per annum or 19% of Gross Value Added to the national economy;
— have more businesses and more start-ups per head of population than urban areas, apart from London;
— display higher levels of self-employment and entrepreneurial activity;
— have higher growth rates in knowledge intensive businesses, including business and financial
services;
— contain a greater proportion of employees in manufacturing; and
— have higher employment rates.

The report showed that entrepreneurs in rural areas have just as strong aspirations to grow their businesses
as urban entrepreneurs, but that there are also many challenges and difficulties facing rural businesses, notably
poorer infrastructure, distant services, planning restrictions and labour shortages.

The Centre for Rural Economy report called for greater support for rural microbusinesses, which are often
frustrated in their aspirations to grow. Micro- and home-based businesses, which are more prevalent in rural
economies, have particular characteristics and needs, but they often fall under the radar of business groups and
support organisations.

The Rural Economy Growth Review in England51 also recognised the strength of these arguments and, in
late 2011, proposed a series of measures to support rural economies beyond agriculture, though the resourcing
of these measures was highly constrained. Despite the modest sums committed, this is important in showing
recognition of the potential of rural economies, beyond agriculture and tourism. This recognition must be a
cornerstone of rural development in the age of austerity.

4. Conclusions

How should rural development proceed, then, in an age of austerity? Lessons from this analysis of rural
development, suggest that action on two levels is necessary: supporting networked action at the local level and
rural proofing UK, devolved and local policies.

1. Supporting networked action at the local level

Rural areas are diverse and benefit most from local solutions which reflect conditions, capacity and
capabilities within and around them. Action at this micro-level is most effective when it follows a networked
model, bringing together the local and the external, the bottom-up and the top-down, but with local actors
enabled to steer larger development processes to their community’s benefit.

Rural communities have very unequal capacities to act in this way, however, and it is clear that unless there
is capacity-building at community level, inequalities will grow between rural areas. While support can come
from foundations, universities and others, it is not clear who else might provide capacity-building on the scale
required and in a systematic way apart from government, whose enabling and fostering role is crucial.

45 Ward N and Ray C, Futures Analysis, Public Policy and Rural Studies, CRE, Newcastle University 2004
48 BOP and Experian, Creative Countryside: Creative Industries Driving New Rural Economies, Report for One NorthEast, Scottish
Enterprise, HIE, East Riding Council, and Lancashire County Council 2007
49 Commission for Rural Communities, England’s rural areas: steps to release their economic potential—Advice from the Rural
Advocate to the Prime Minister, Cheltenham: Commission for Rural Communities 2007 http://www.defra.gov.uk/crc/files/Advice-
PM_englands_rural_areas.pdf
50 Phillipson et al, Rural Economies: Incubators And Catalysts For Sustainable Growth, Submission by the Centre for Rural
Economy, Newcastle University, in collaboration with the UK Research Councils’ Rural
Economy and Land Use Programme to the Government’s Growth Review, Newcastle: Centre for the Rural Economy, Newcastle
review/
Government investment in the capacity of local communities should be a priority, even in constrained financial times.

2. Rural proofing UK, devolved and local policies

Local action on its own is insufficient to address the processes which operate at multiple levels to influence rural change. Macro-scale diagnosis, strategic planning and intervention is therefore also required to address persistent patterns of structural differentiation—such as the north-south divide in England or the issues facing sparsely-populated rural areas.

Governments are often spatially blind to the territorial impacts of their policies and decisions, and mechanisms such as rural-proofing may be helpful in alerting those involved to unintended effects of their actions. This requires a commitment across government, and not only DEFRA.

These conclusions can inform an assessment of the future of rural development, and indeed for the future of rural areas in the UK. There is a clear risk that if the state passes power and responsibility to local communities without the necessary resources or support, some will rise to the challenge but many will not. Some rural communities have the skills, assets, networks and institutional capacity to compete strongly. Meanwhile, rural communities who have not yet developed these capacities and networks and lack support, may become impoverished, losing services and infrastructure, and become less able to contribute to rebalancing and renewing the national economy. This is a two-speed countryside.

Genuine localism includes not only devolving responsibilities but also resources, with the state taking responsibility for “helping people to help themselves”. In the context of rural development, this means providing a spatially-aware, rural-proofed policy framework and infrastructure, while investing in developing the capacity of local actors to lead networked rural development on their own terms—especially in places and amongst social groups whose capacity to act is less.

Such an approach would promote greater equality and co-operation amongst rural areas, and between rural and urban areas, so enabling more places to contribute to national priorities, while tailored to local circumstances and knowledge. Many more people will achieve their hope of living in prosperous, inclusive, sustainable rural communities, rising to future challenges while honouring the values and heritage which connect them with their past.

8 January 2013.